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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, AND CERTAIN INDEPENDENT AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

ON

H.R. 3133

AN ACT MAKING APPROPRIATIONS FOR THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, AND FOR SUNDRY INDEPENDENT AGENCIES, BOARDS, COMMISSIONS, CORPORATIONS, AND OFFICES FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1984 AND FOR OTHER PURPOSES

PART 1—(Pages 1-981)

AMERICAN BATTLE MONUMENTS COMMISSION
ARMY CEMETERIAL EXPENSES
CONSUMER INFORMATION CENTER
CONSUMER PRODUCT SAFETY COMMISSION
COUNCIL ON ENVIRONMENTAL QUALITY
ENVIRONMENTAL PROTECTION AGENCY
FEDERAL HOME LOAN BANK BOARD
NATIONAL CREDIT UNION ADMINISTRATION
NEW YORK CITY LOAN GUARANTEE PROGRAM
OFFICE OF CONSUMER AFFAIRS
OFFICE OF REVENUE SHARING
OFFICE OF SCIENCE AND TECHNOLOGY POLICY
SELECTIVE SERVICE SYSTEM
VETERANS ADMINISTRATION

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT-INDEPENDENT AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

THURSDAY, FEBRUARY 17, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10 a.m. in room SD-124, Dirksen Senate Office Building, Senator Jake Garn (chairman) presiding.

Present: Senator Garn.

AMERICAN BATTLE MONUMENTS COMMISSION

STATEMENT OF GEN. A. J. ADAMS, SECRETARY

ACCOMPANIED BY:
- COL. CLAYTON L. MORAN, DIRECTOR OF PERSONNEL AND ADMINISTRATION
- COL. WILLIAM E. RYAN, DIRECTOR OF OPERATIONS AND FINANCE
- COL. FREDERICK BADGER, DIRECTOR OF ENGINEERING AND MAINTENANCE

OPENING REMARKS

Senator GARN. The subcommittee will come to order.

General Adams, we are happy to welcome you here this morning. Since we do have three agencies appearing before us, I will ask each of our witnesses to limit their opening statements to 10 minutes. Of course, your full statement will be included in the record in its entirety.

The principal functions of the American Battle Monuments Commission are to commemorate the achievements and sacrifices of the United States Armed Forces through the erection and maintenance of suitable memorial shrines and to design, construct, administer, and maintain permanent American military burial grounds in foreign countries.

The Commission administers, operates, and maintains 24 permanent American military cemetery memorials and 12 separate monuments in 10 foreign countries and 4 memorials in the United States. During fiscal year 1982, the cemeteries, monuments, and memorials were visited by over 10 million people. In addition to its other activities, the Commission provides information and assistance on request to relatives and friends of the war dead interred in or commemorated at its facilities.

BUDGET REQUEST

In fiscal year 1984, the Commission is requesting $10,837,000 and 387 positions. This is an increase of $168,000 above fiscal year 1983.

We would be happy to hear your opening statement and will insert your prepared statement in the record at this point

[The statement follows:]

STATEMENT OF GEN. J. A. ADAMS, SECRETARY, AMERICAN BATTLE MONUMENTS COMMISSION

Mr. Chairman and Members of the Subcommittee:

Please accept our thanks and appreciation for the opportunity to testify today in support of the American Battle Monuments Commission's fiscal 1984 Appropriation request.

First, I would like to bring you up-to-date on the Commission's commemorative projects that are now in progress. The memorial here in Washington, D.C. to the American Expeditionary Forces and their Commander in Chief, General of the Armies, John J. Pershing, is still without the statue of General Pershing. A full-scale model of it that was acceptable to both this Commission and the Commission of Fine Arts was recently completed by the sculptor, Mr. Robert White. He is now in the process of fabricating the sectioned wax replica that will be used in casting the statue in bronze. Although progress has been slower than we had hopped, the extra time spent is considered well worth the price of obtaining a superior product. If the casting proceeds as anticipated, the statue of General Pershing should be in place at the memorial this summer.

The monument on Saipan honoring the Americans who lost their lives in the liberation of the Mariana Islands was completed last summer. It is located in the American Memorial Park that overlooks Tanapag Bay. Construction of the monument was directed in the Commonwealth Covenant between the United States and the Northern Mariana Islands. Photographs of the monument will be taken on the Commission's next inspection trip to the Pacific.

With respect to the Utah Beach Memorial, the architectural layout has been approved, the 24 foot rose granite pylon quarried and cut, and the inscription to be engraved upon it furnished to the quarry. It is expected that the monument will arrive on site and be erected this year.

Progress on the memorial feature at the Corozal American Cemetery is proceeding well. The rose granite pylon has been quarried, cut and engraved; the flagpoles ordered; and site preparation has begun. Depending upon shipment time for the pylon to arrive on site, the feature should be ready either late this year or early next spring.

Since my last appearance before you, I have inspected all of the Commission's facilities on foreign soil except the Manila and the Mexico City American Cemeteries. It pleases me greatly to report that they looked better this time than on any of my previous inspections. No one visiting these shrines can help but be profoundly moved by the way that America takes care of its War Dead, or by the great number of Americans who have died so that others could be free.

Proceeding on to fiscal matters, the Commission's fiscal 1984 Appropriation request is $10,837,000; $168,000 more than fiscal 1983, an increase of about 1½%. Offsetting this increase is an inflation rate in the foreign countries where our installations are located that averages about 11%. Last year and the year before, the Commission was fortunate in that exchange rates remained favorable during most of the year. From the middle of last November to the middle of January this year, however, dollar exchange rates in France, the BENELUX countries and Italy dropped about 8%, probably because of lower interest rates in this country. Hopefully, they will stabilize and regain some of the ground that they lost.

A breakdown of the increases in this request is as follows: $342,000 in personnel compensation and benefits; $15,000 in home leave and operational travel of personnel; $33,000 for rent, communications and utilities; $1,000 for printing and reproduction of photographs, pamphlets, booklets and lithographs provided to relatives of the Dead interred in or memorialized at our installations; and $33,000 for supplies, materials and spare parts. Offsetting these increases in part are reductions of $12,000 for the transportation of vehicles and equipment; $132,000 in repair and maintenance projects; $21,000 in the procurement of vehicles and equipment and $91,000 in construction and renovation projects.

Mr. Chairman, this concludes my prepared statement. We will be happy to respond to any questions that you may ask. Thank you.

SUMMARY OF OPENING STATEMENT

Senator Garn. Please proceed with your statement summary, General.

General Adams. I will summarize the statement that I have already provided for you.

A brief rundown on the status of our current commemorative projects are as follows.

Last May the Saipan monument was erected in the American Memorial Park overlooking Tanapag Bay.

This summer the bronze statue of General Pershing will be erected at the AEF Memorial here in Washington.

Also, we expect the 24-foot rose granite pylon for the Utah Memorial to arrive on site this summer, and lastly, the memorial feature at the Corozal American Cemetery in Panama should be completed by the end of the year.

Proceeding to fiscal matters, as you have pointed out, our appropriations request for 1984 is $10,837,000, which is $168,000 more than fiscal year 1983. That is an increase of about 1½ percent. The increases contained in this request by object classification are as follows: $342,000 in personnel compensation and benefits; $15,000 for home leave and travel; $33,000 for rent, communications, and utilities; $1,000 for reproduction of photographs, pamphlets, booklets, and lithographs that are presented to the relatives of the dead and $33,000 for supplies, materials, and spare parts.

Offsetting these increases in part are reductions of $12,000 for transportation of vehicles and equipment, $132,000 in repair and maintenance projects, $21,000 for the procurement of vehicles and equipment, and $91,000 in construction and renovation projects.

Mr. Chairman, this concludes my summary. We will be happy to respond to your questions.

Senator GARN. Thank you very much, General.

STATE DEPARTMENT ADMINISTRATIVE SUPPORT

You are requesting $445,000 for rent, communications, and utilities in fiscal year 1984. It is my understanding that the administrative support provided by the State Department is funded from this account. Can you explain in more detail what type of administrative support is provided by the State Department?

General ADAMS. Yes, sir.

First, I would like to note that we defray a proportionate share of the pay and benefits of personnel in the State Department that perform administrative services for us. These services include telephone support through the Embassy switchboard, handling our pouch and first-class mail, cable support, clearing shipments of goods into the country, and purchase of lands and structures, as needed.

Name some others.

Colonol RYAN. Yes, sir. It also provides us contract medical support, medical supplies, administrative supplies, rental of office space through the Foreign Buildings Office, and cashier and financial accounting support.

Senator GARN. How much do you intend to provide for this activity in fiscal year 1983?

General ADAMS. $58,000, I believe.

Senator GARN. Do you have an estimate for 1984?

General ADAMS. $56,000.

Colonel RYAN. Sir, it is $58,000 in 1984 and $56,000 in 1983.

Senator GARN. You are requesting $57,000 for home, travel leave, for U.S. eligible civilian employees and their dependents. Who are considered eligible civilian employees?

General ADAMS. All of our American civil service employees located overseas are eligible for home leave. In this Commission, we allow home leave each 3 years.

REPAIR OF THE HONOLULU MEMORIAL

Senator GARN. In your fiscal year 1983 budget justification, you requested $38,000 for the repair of the Honolulu Memorial. You are now requesting an additional $7,000 in fiscal year 1984 for that repair. What type of repairs would be made to the Memorial this year and what do you anticipate in fiscal year 1984?

General ADAMS. Sir, we are in the process of replacing the capstones on the Courts of the Missing with new ones that overhang the walls of the courts. In addition, we are placing a stainless steel moisture barrier beneath each capstone. A contract for $77,000 has been awarded to install them.

Next year when the walls have dried out it will be necessary to award another contract to clean the stone that has been stained and damaged thus far by the penetration of moisture through the walls.

Senator GARN. What do you estimate will be the total cost of the repairs when you are finished?

General Adams. $97,000 for the installation of the stone, plus the cost of the stone.

COROZAL AMERICAN CEMETERY

Senator Garn. The final design of the memorial feature at the Corozal American Cemetery has been completed. The stone for the 12-foot rose granite pylon has been quarried, cut, and engraved and two flag poles have been ordered.

I understand the memorial feature should be completed this year; is that correct?

General Adams. That is correct, sir.

Senator Garn. What will be the total cost of that memorial?

General Adams. That memorial should cost less than $40,000.

Senator Garn. A goal of the Commission is to get the upgrading of the Cemetery to the level of other ABMC facilities within 2 years.

What other work needs to be done on the Cemetery before upgrading activities are complete?

General Adams. We will have to upgrade the visitor's toilet which is now more or less of an outhouse-type of building. We will have to continue to improve the roads and curbs, and complete realining the old headstones, and replacing those that are damaged and missing. That, primarily, is the work that has to be done, plus hauling in a lot of topsoil to offset effects of long-term erosion, grading, and improving the grass and plantings.

INITIAL BUDGET REQUEST

Senator Garn. How does your fiscal year 1984 budget request compare to your initial request to OMB?

General Adams. They are the same. OMB established a ceiling about 1½ percent more than last year. We took that and that is what we submitted to OMB.

Senator Garn. It sounds like you are one of the lucky ones.

General Adams. I do not know whether we are lucky or unlucky, sir. The inflation rates overseas where our installations are located average 11 percent.

Senator Garn. More lucky in the sense that there are not too many agencies over the last couple of years which have gotten all they asked for out of OMB.

It sounds like you would have liked more money but you adhered to the ceiling they gave you to begin with.

General Adams. That is correct.

UTAH BEACH

Senator Garn. Final architectural layout of the Utah Beach Memorial has been completed, the 24-foot rose granite pylon quarried and cut. The pylon presently is in the process of being inscribed. It should be shipped to the site and erected later this year. When the pylon is erected, will this complete the work on the memorial?

General Adams. Not quite. We will have to construct a short walk up to the memorial and we will have to put in some plantings that will withstand the salt air right near the sea.

Senator GARN. What do you estimate the total cost of improvements to the memorial will be?

General ADAMS. I think it will be about $40,000.

Colonel RYAN. Within budget of $40,000, sir.

EQUIPMENT REPLACEMENT

Senator GARN. This year you are requesting $326,000, or $21,000 less than fiscal year 1983, for equipment. In your justification, you indicated that these funds will be used to replace wornout vehicles and equipment and procure needed equipment not presently on hand. What type of equipment and how many vehicles do you intend to replace in fiscal year 1984?

General ADAMS. The equipment to be replaced will be horticultural equipment, primarily, such things as mowers, sprayers, tractors, that sort of thing. I believe we are replacing six vehicles—four half-ton pickups, one 1½-ton dump truck, and one compact station wagon.

Senator GARN. What type of criteria do you use in replacing equipment or vehicles?

General ADAMS. Our criteria is to replace them when they are not economically repairable. We know from experience about how long each type will last.

Senator GARN. So you have not set schedules with variables depending.

General ADAMS. It depends, primarily, on whether we can repair the item within a reasonable expenditure of funds.

AEF MEMORIAL

Senator GARN. As you mentioned, construction of the memorial of the American Expeditionary Forces of World War 1 and their Commander in Chief in Pershing Park is complete except for the statue of General Pershing.

You indicated that the sculpture should be completed and installed this spring. What will be the total construction costs for this memorial?

General ADAMS. The total will be about $500,000 complete.

Senator GARN. Am I correct that the Department of the Interior is responsible for maintaining the memorial?

General ADAMS. That is correct.

Senator GARN. How much do you estimate will be spent on maintenance on the memorial in fiscal years 1983–84?

General ADAMS. The Park Service of the Department of the Interior estimates it will cost about $3,500 annually.

SUBMITTED QUESTIONS

Senator GARN. I have additional questions, General, but I would prefer to submit them to you for response for the record.

Are there any additional comments you or your colleagues would like to make?

General ADAMS. No; other than we thank you very kindly.

Senator Garn. Thank you very much, gentlemen, for coming. I will submit the remainder of my questions, as well as questions from Senator Huddleston, for your response for the record.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by Senator Garn

ASIAN CEMETERIES AND MEMORIALS

Question: You are requesting $564,000 for the operation and care of Asian Cemeteries and Memorials in FY 84. While you indicate that this is an increase of $4,000 from your current FY 83 level, you plan to decrease funds for construction and renovation projects by $30,000. What construction and renovation projects funded in FY 83 will not be funded in FY 84?

Answer: Repair of the hemicycle roof will not be funded in fiscal 1984.

Question: How much do you estimate will be spent on construction and renovation projects in FY 83 and FY 84?

Answer: In fiscal 1983, it is estimated that $69,700 will be spent on construction and renovation projects; in fiscal 1984, it is estimated that $46,700 will be spent.

Question: Why do you need an additional $9,000 for salaries and personnel benefits over your FY 83 level?

Answer: To defray full-year costs of fiscal 1983 wage board increases awarded on other than the first day of the fiscal year.

OTHER SERVICES

Question: You are requesting $467,000 for the maintenance and repair of facilities and utilities not within the capability of cemetery employees. This is $132,000 less than fiscal year 1983. What type of maintenance and repair services are performed by private firms?

Answer: Over a period of time, the exterior surfaces of our monuments become discolored and damaged by harsh pollutants in the air. To preclude serious damage, the pollutants must be removed from the stone by striking it with special hammers in the hands of specially trained personnel. Neither hosing, scrubbing, chemical treatment nor sanding will remove these pollutants and the accompanying stains. Some of the other activities performed by private firms are repairs of roads, roofs, sprinkler systems, electrical systems and deep wells.

Question: Please provide a list, by cemetery, of the private firms who performed these services in FY 82.

Answer: The firms that provided these services in fiscal 1982, for other than minor projects, are as follows:

European Office	Entreprise Ambrasas
Aisne-Marne	Entreprise Richard
	Aisne Department
Ardennes	Societe Jice
	Entreprise Paris-Facades
Brittany	Vercelli
	Hory-Chauvelin
	Entreprise Blanchet
Flanders Field	Entreprise Jenssens
	Entreprise Bruneel

Henri-Chapelle	Entreprise Paris-Facades
Meuse-Argonne	Entreprise Hory
	Meuse Department
	Entreprise Pilot
Normandy	Entreprise Guay
	Industria Marmi E Graniti
Oise-Aisne	Societe Mayeus
	Entreprise Paris-Facades
	Entreprise Hory
Rhone	Entreprise Nicolas Sireno
Saint Mihiel	Entreprise Paris-Facades
Somme	Screg Picardia Agency
Suresnes	Entreprise Touze
	Entreprise Hervieu
	Entreprise Telephonique Ruaud
	Entreprise Electra
	Societe Balac
Mediterranean Office	Lasa Marmo, S.P.A.
Sicily-Rome	Societa Piermattei
Corozal	FMI-Hammer Joint Venture
	A. Clement
Manila	Laso Marmo, S.P.A.

Question: Can you provide a comparable list for FY 83?

Answer: It is not possible to provide a comparable list for fiscal 1983 as the majority of contracts have not gone out for bid because of winter weather. There will be a number of repeats, however, because of the generally remote locations of our installations. Often, only one firm in the general region handles a particular type of repair.

Question: What cemetery or office used, or will use, private firms the most during these two fiscal years?

Answer: The European Office because it is responsible for eighteen of our twenty-four cemeteries and eleven separate monuments.

SERVICES TO THE PUBLIC

Question: On Page 2 of your budget justification, you state that the Commission provides information and assistance on request to relatives and friends of the War Dead interred in or commemorated at its facilities. What is usually spent a year on these activities?

Answer: The cost of these services, which we consider one of our most important functions, is approximately $69,000 per year. This sum was arrived at by combining the salaries of our personnel who handle this activity and the costs annually of printing lithographs, photographs, booklets and pamphlets.

LATIN CEMETERIES AND MEMORIALS

Question: In FY 84, you are requesting $10,000 more than your current FY 83 budget for vehicles and equipment in your Latin Cemeteries and Memorials. What types of vehicles and equipment do you intend to purchase in FY 84?

Answer: In fiscal 1984, we plan to replace three heavy duty mowers and four light mowers at Corozal.

Question: How much do you intend to spend for these items in FY 84?

Answer: $20,118.

Question: What is your estimate for FY 83?

Answer: $10,500.

Question: In FY 84, you are requesting $10,000 less than your current FY 83 budget for contractual maintenance and repairs in Latin Cemeteries and Memorials. What maintenance and repair projects funded in FY 83 will not be funded in FY 84?

Answer: An increment of repairs to curbs and roads.

Question: How much do you intend to spend in FY 83 for these projects?

Answer: $29,000.

Question: What is your estimate for FY 84?

Answer: $18,500.

EDUCATIONAL TRAVEL

Question: Please provide a table showing the number of employees and dependents that requested educational travel and the cost your agency incurred for FY 82.

Answer: Only one dependent availed himself of educational travel in 1982 at a cost of $1960.

Question: What do you anticipate in FY 83 and FY 84?

Answer: $2000 in 1983; nothing in 1984.

PRINTING AND REPRODUCTION

Question: You are requesting $20,000 for printing and reproduction in FY 84. Some of the costs within this account include printing and reproduction of photographs, cemetery lithographs and cemetery booklets. How often do you reprint materials for your facilities?

Answer: They are reprinted on an as required basis. Usually only a three year supply is procured at any one time because they tend to become obsolete.

Question: Which of your facilities has the highest printing costs?

Answer: Our Washington Office has the highest printing costs because most of the requests for information, photographs, lithographs, booklets and pamphlets come to that office.

PERSONNEL BENEFITS

Question: You are requesting $1,971,000 for personnel benefits and allowances in FY 84. On page 8 of your budget justification, you give a breakout of how these benefits and allowances will be distributed. Please provide for the record a comparable table showing the distribution of these benefits and allowances in FY 82 and FY 83.

Answer: The information follows:

Benefits	1982	1983
FICA	11,700	13,100
Group Life	3,500	3,700
Education Allowance	50,800	51,700
Quarters Allowance	30,300	48,300
Post Allowance	29,000	53,000
TLA	3,400	2,300
Retirement	221,100	248,100
Health	94,900	107,500
Awards	4,800	6,600
COLA	34,860	37,700
Social Security	999,000	1,173,000
Bonuses	14,700	16,900
Family Allowances	8,000	10,300
WB Increases	...	81,200
GS Increases	...	2,400
Tropical Differential	3,940	4,200
	1,510,000	1,860,000

SEVERANCE PAY

Question: You are requesting $36,000 for the severance pay of long-term employees in Italy. This is $51,000 less than what was provided in FY 83. How many employees will receive severance pay?

Answer: One employee is scheduled to receive severance pay in fiscal 1984.

Question: How does this compare to FY 83?

Answer: Two employees are scheduled in fiscal 1983 or twice as many.

Question: How much do you estimate will be provided in severance pay in FY 83 and FY 84?

Answer: $87,000 in fiscal 1983 and $36,000 in fiscal 1984.

EUROPEAN CEMETERIES AND MEMORIALS

Question: In FY 84, you intend to reduce funding by $136,000 from your current FY 83 level for contractual repairs and maintenance in your European Cemeteries and Memorials. What contractual repairs made in FY 83 will not be done in FY 84?

Answer: Cleaning and treating chapel walls at Henri-Chapelle
Installing map glass barrier at Henri-Chapelle

Rewiring quarters at Normandy
Rewiring pump room at Lorraine
Rewiring service building at Rhone
Extending the deep well at Flanders Field
Rewiring the transformer building at Somme
Replacing garage and visitor building heaters at Brittany
Replacing the sprinkler system pump at Brookwood
Refurbishing the visitors' room at Flanders Field
Providing electricity and telephone service at Pointe du Hoc
Replacing windows in quarters at Ardennes
Refurbishing garage and workers' lunch room at Aisne-Marne
Rewiring service building at Brittany
Replacing roof of visitors' toilet at Ardennes
Repairing roads at Cambridge
Cleaning and treating memorial walls at Lorraine
Repairing eagle pylons at Henri-Chapelle
Installing storm windows at Henri-Chapelle
Converting compost shed to storage at Oise-Aisne
Replacing sprinkler heads in plots A and C at Oise-Aisne
Rehabilitating electrical distribution system at Brittany, phase II of III.
Weatherproofing superintendent quarters at Ardennes
Repairing spalls at Bellicourt Monument
Rehabilitating heating system at Oise-Aisne
Replacing gutters at Luxembourg
Replacing sanitary fixtures at Brittany
Replacing oil reservoir at Rhone
Renovating kitchen at Rhone
Renovating superintendent's bathroom at Normandy
Installing storm windows at Luxembourg
Replacing garage doors at Cambridge
Renovating kitchens at Netherlands
Restoring power to the memorial at Normandy
Replacing fire extinguishers at Cambridge
Replacing service building oil reservoir at Cambridge
Painting exterior of quarters at Cambridge
Installing storm windows at Epinal
Replacing sanitary fixtures at Epinal visitors' toilet
Enclosing compost shed at Aisne-Marne
Insulating windows at Garches
Constructing storage building at Brittany
Rewiring visitors' building at Suresnes
Repainting flagpole at Suresnes
Constructing memorial at Corozal
Aligning headstones at Corozal
Repairing roads at Corozal
Repairing walls at Honolulu Memorial
Sealing Courts of the Vietnam Missing at Honolulu

Question: You also intend to reduce funding by $30,000 in vehicle and equipment purchases and $61,000 in construction and renovation projects. How do you intend to reduce funding for these activities in FY 84?

Answer: Insofar as equipment is concerned, modernization will be curtailed and only the equipment in the worst condition will be replaced. Insofar as construction and renovation projects are concerned, lower priority items have been placed temporarily on the deferred list.

QUESTIONS SUBMITTED BY SENATOR HUDDLESTON

ABMC STANDARDS

Question: On page 1 of your justification, you refer to upgrading the Corozal Cemetery to "ABMC Standards." What are these standards?

Answer: ABMC standards are as follows:

a. All cemeteries, monuments and memorials of the Commission and all sculpture and structures within them will be maintained in a good state of repair and in immaculate condition.

b. Landscaping plans will be followed to the letter.

c. Headstones will be clean, without stain, upright and uniform in height and alignment.

d. Graves areas will be level, without sunken graves, and covered with fine grass that is free of weeds, neatly cut, trimmed and edged.

e. Each cemetery will contain a suitable memorial where visitors may quietly meditate and ceremonies may be held.

f. A comfortable room will be provided for visitors where they may rest and obtain information from the cemetery staff.

g. Sanitary facilities will be provided for visitors.

h. All roads and paths will be paved and maintained in a good state of repair.

i. Deep wells and water storage will be provided where practical.

j. Covered repair and storage facilities will be provided for vehicles and equipment.

k. Provision will be made for the host country as well as the U.S. flag to fly over the cemeteries.

l. Superintendent personnel will live on the cemetery grounds to provide twenty-four hour U.S. presence and supervision.

COROZAL AMERICAN CEMETERY

Question: What remains to be done to Corozal to meet them?

Answer: The visitors' toilet facilities need to be reconstructed, the roads and curbs need additional repairs, the sprinkler system needs renovation, many more missing and replacement headstones need to be installed, the graves area needs additional grading and top soil, and the grass and plantings need improvement.

HONOLULU MEMORIAL

Question: Please explain the request of $7,000 for repair of the Honolulu Memorial. Is this a one-time expenditure?

Answer: When the panels with the names of the Missing have dried out, we will attempt to remove the stains. Once the stains are removed, we will begin to replace those panels that are damaged beyond repair. Future costs will depend upon our success in removing the stains and the number of panels that have to be replaced.

LOCAL NATIONAL EMPLOYEES

Question: How are the pay rates for your 337 local national civilian employees determined?

Answer: The Foreign Service national classification and compensation system of the Department of State establishes pay rates for local national civilian employees based upon prevailing local wage rates and compensation practices for corresponding types of positions in the host countries. Additionally, governments of host countries direct periodic cost of living increases to offset effects of inflation.

SEVERANCE PAY

Question: How many foreign employees will be given severance pay and how much will each receive?

Answer: One local national employee in Italy is scheduled to retire and receive severance pay in the amount of $36,000.

Question: Will these employees receive an annuity?

Answer: Yes.

TRAVEL BENEFITS

Question: What travel benefits are allowed ABMC employees and dependents?

Answer: Home leave for ABMC employees and dependents and education travel for dependents.

FOREIGN TRAVEL OF COMMISSIONERS

Question: What foreign travel is budgeted for members of the Commission in FY 84?

Answer: Inspection trips for three Commissioners have been budgeted for in FY 84.

Question: Please indicate the foreign travel undertaken by each member of the Commission in FY 83?

Answer: The following inspection trips have or will be undertaken by members of the Commission in fiscal 1983:

a. Inspection of 9 cemeteries and 4 monuments in Belgium, the Netherlands, Luxembourg, and France by the Honorable William E. Hickey from 11/15/82 to 11/23/82.

b. Inspection of 6 cemeteries and 6 monuments in France by the Honorable John C. McDonald from 10/4/82 to 10/11/82.

c. Inspection of 9 cemeteries and 4 monuments in Belgium, the Netherlands, Luxembourg and France by Major General Edwin Bliss Wheeler, USMC (Ret), from 11/15/82 to 11/23/82.

d. Inspections of ABMC facilities in Europe by the Honorable Armistead J. Maupin and the Honorable Lawrence A. Wright are scheduled from 4/17/83 to 4/24/83. Exact itineraries have not yet been finalized.

HOME LEAVE

Question: Your justification indicates (p. 8) that a large number of eligible employees have expressed a desire to take home leave in FY 84. Why is this the case?

Answer: Many of those requesting home leave were eligible previously but had to postpone it because of financial, health of dependents or other reasons.

Question: What is the "home leave" policy?

Answer: U. S. civilian employees of the Commission serving on foreign soil are allowed to take home leave with their dependents to their homes of record in the United States at three year intervals provided the employees sign an agreement to serve an additional three years on their return. It is an important incentive for employees to extend their overseas employment.

OTHER SERVICES

Question: Please provide a breakdown of the maintenance and repair projects included under the "Other Services" request of $467,000 (p. 9)?

Answer: The information follows:

Vehicle insurance and service	$ 28,700
Minor projects, all stations	128,733
Maintenance of separate monuments	85,000
Janitorial service, Paris Office	14,000
Replace garage doors, Brittany	2,000
Replace gutters, Brittany	4,500
Refurbish stone work, Brest	35,000
Repair walls of the Missing, Cambridge	30,000
Paint Visitors' building and quarters, Cambridge	6,000
Repair sprinkler system, Corozal	10,000
Overhall river pumps, Epinal	3,000
Replace plantings, Honolulu	10,000
Repair road, Chateau-Thierry	13,000
Replace stones around pool, Luxembourg	1,900

Replace gutters, Luxembourg	13,000
Repair roads, Manila	30,000
Repair hemicycle roof, Manila, Phase II	6,470
Paint reception and service buildings, Meuse-Argonne	5,000
Replace memorial plantings, Mexico City	4,000
Reseal Court of the Missing, Netherlands	8,000
Resurface roads and parking area, Oise-Aisne	10,000
Repair walls, Bellicourt	3,000
Resurface roads, Somme	9,000
Repoint Wall of the Missing, West Coast	7,000
Total	$467,303

SUPPLIES AND MATERIALS

Question: Please provide a breakdown of the request for $742,000 for supplies and materials.

Answer: The information follows:

Office supplies	$ 39,090
Custodial supplies	21,632
Repairs and utilities supplies	125,500
Horticultural supplies	189,620
Vehicle repair parts	18,044
Equipment repair parts	78,290
POL	107,680
Tires and tubes	11,090
Heating fuel	137,035
Organizational clothing	8,600
Headstones	4,000
Miscellaneous	1,650
Total	$742,231

DEPARTMENT OF DEFENSE—CIVIL

DEPARTMENT OF THE ARMY

ARMY CEMETERIAL EXPENSES

STATEMENT OF COL. JOSEPH E. GLEASON, DIRECTOR, CASUALTY AND MEMORIAL AFFAIRS, OFFICE OF THE ADJUTANT GENERAL, DEPARTMENT OF THE ARMY

ACCOMPANIED BY:

LT. COL. DAVID PEIXOTTO, MILITARY ASSISTANT, ASSISTANT SECRETARY ARMY (CIVIL WORKS)

RAYMOND J. PETTIS, DIRECTOR, RESOURCE MANAGEMENT DIRECTORATE, OFFICE OF THE ADJUTANT GENERAL

RAYMOND J. COSTANZO, SUPERINTENDENT, ARLINGTON NATIONAL CEMETERY

PAUL TOWELL, BUDGET ANALYST, CASUALTY AND MEMORIAL AFFAIRS DIRECTORATE

JULIUS L. SMITH, ENGINEER TECHNICIAN, CASUALTY AND MEMORIAL AFFAIRS DIRECTORATE

OPENING REMARKS

Senator GARN. Colonel Gleason, it is a pleasure to have you and your colleagues here today. You have the responsibility for the operation of the Arlington and Soldiers Home National Cemeteries. These facilities contain the remains of over 200,757 persons and comprise approximately 628 acres.

During fiscal year 1984, your budget assumes 3,870 burials and inurnments. Cemetery personnel care for the maintenance of the shrubs, roads, the Memorial Amphitheater, the Tomb of the Unknown Soldier, and various buildings and vehicles.

Your budget request for fiscal year 1984 is $8,203,000, which is an increase of $1,453,000 over your current fiscal year 1983 level.

We would be happy to have you proceed with your statement at this time.

Colonel GLEASON. Thank you, Mr. Chairman. I shall summarize my remarks. I have also submitted a prepared statement for inclusion in the hearing record.

Senator GARN. Without objection, so ordered.

[The statement follows:]

STATEMENT OF COL. JOSEPH E. GLEASON

Mr. Chairman, members of the committee, good morning. We appreciate the opportunity to testify today in support of the fiscal year 1984 approriation request for cemeterial expenses, Department of the Army. This appropriation funds the salaries and expenses necessary for the operation of Arlington and U.S. Soldiers' and Airmen's Home National Cemeteries.

Arlington is the best-known and most revered of our national cemeteries. It is a national shrine where more than 900 nonfuneral events occur annually to honor those who have made a significant contribution to sustain our way of life. Public figures from the United States and many foreign countries participate in these solemn ceremonies. People from all walks of life visit Arlington. It is the second most-visited public facility in the Washington area. The uniqueness of this memorial dictates that we establish and maintain standards of care that are of the highest order. Arlington National Cemetery is a visible reflection of America's appreciation for those who have made the ultimate sacrifice to maintain our freedom.

During fiscal year 1983, nonfuneral ceremonies were conducted at Arlington. There were over 3 million visitors; 7 State Governors and 11 foreign heads of state participated in special ceremonies. There were 3,524 interments and Columbarium inurnments; 13,000 headstones were set, reset, or realined, and 775 niches sealed. We cleaned 9,000 headstones, refilled 8,000 graves, and serviced or repaired 240 pieces of equipment.

Funds authorized for operation and maintenance in fiscal year 1983 were increased by $1.2 million over fiscal year 1982 funds. This increase will permit us to improve and expand our maintenance program. During this fiscal year, 27,000 headstones will be reset and realined and 15,000 cleaned; 12,000 graves will be refilled; 70 new trees planted, 2,200 trees pruned and sprayed; and a comprehensive weed control and turf renovation program implemented. We have also a contingency plan for control of the gypsy moth infestation. The funding program authorized for fiscal year 1983 permits us to make significant progress toward achieving optimum conditions. If you approve our fiscal year 1984 request, we will be able to continue maintaining the high standards which this Nation expects of Arlington National Cemetery.

The cemeterial expenses appropriation is divided into three major categories: Operation and maintenance, administration, and construction. The total obligation authority requested for fiscal year 1984 is $8,203,000, an increase of $1,420,000 above the amount approved for fiscal year 1983. The increase consists of $1,323,000 in construction, $96,000 for operation and maintenance, and $1,000 for administration.

The funds for construction are of particular concern as the addition to the Columbarium is an absolute necessity. This addition will cost $1.3 million. Design funds are included in the fiscal year 1983 appropriation. Without it, we will not be able to continue beyond late 1985 the inurnment of the cremated remains of honorably discharged veterans who are not eligible for ground burial in Arlington. It is projected that the 5,000 niches in the initial increment will be filled by then; therefore, the construction of this second increment must be completed during fiscal year 1984.

Mr. Chairman, this concludes my statement. We will be pleased to respond to questions from the committee at this time.

STATEMENT SUMMARY

Colonel GLEASON. We appreciate the opportunity to testify today in support of the fiscal year 1984 appropriation request for Cemetery Expenses, Department of the Army.

The Cemetery Expenses appropriation is divided into three major catagories: Operations and maintenance, administration, and construction.

The total obligation authority requested for fiscal year 1984 is $8,203,000.

The funds for construction are of particular concern as the addition to the Columbarium is an absolute necessity. This addition will cost $1.3 million. Design funds are included in the fiscal year 1983 appropriations. Without it, we will not be able to continue beyond late 1985, inurnment of the cremated remains of honorably discharded veterans who are not eligible for ground burial in Arlington.

It is projected that the 5,000 niches in the initial increment will be filled by then. Therefore, the construction of this second increment must be completed during fiscal year 1984.

Mr. Chairman, this concludes my summary. We will welcome your questions now.

Senator GARN. That is one of the briefest summaries I ever had. Yesterday in the Full Banking Committee, which I also chair, we had Chairman Volcker and he read his whole statement. The reason he did is because last time he appeared before us, he said that he would summarize. The summary took so much longer than his prepared statement, that I requested that in the future would he please read his entire statement so that we could save time. [Laughter.]

But you have definitely summarized yours this morning.

SUPPLEMENTAL

You are requesting a supplemental of $68,000 for increased pay costs in fiscal year 1983. How much of the increase in pay costs will you be able to absorb?

Mr. TOWELL. We were directed to absorb 50 percent by the Office of Management and Budget.

Senator GARN. You will be able to achieve that?

Mr. TOWELL. Yes, sir.

Senator GARN. What would be the impact of Congress not approving this supplemental request?

Mr. COSTANZO. We would have to reduce some tree maintenance and headstone realinement. Those two areas would take the reductions.

TOMB OF THE UNKNOWN

Senator GARN. During last year's hearings, I asked a question concerning efforts to have a soldier, killed in the Vietnam conflict, interred in the Tomb of the Unknown Soldier. At that time you indicated that the decision on how best to proceed on the selection would be made very shortly by the Secretary of the Army.

Could you bring the subcommittee up to date on any developments concerning this matter which have occurred during the last year?

Colonel PEIXOTTO. Yes, sir. Last summer, after thoroughly evaluating the situation concerning the unidentified remains from the Vietnam conflict, Secretary Marsh decided that it was necessary to conduct a final and intense effort to identify those remains.

We have gone back over the records of the MIA's and deserters and have obtained missing or incomplete records and have taken other steps to identify the remains. These efforts have further reduced the possible candidates. For example, to the joy of one family, this effort bore fruit when one of the remains was recently identified as Pfc. Allen K. Barton. He was buried in Michigan last Saturday.

We expect to conclude our current actions this summer and then will determine how we should proceed to bring the matter to a final resolution. If the results show that we have a viable candidate, we will select an appropriate date for the interment ceremony. If there are no usable remains, we will look for other acceptable alternatives.

Senator GARN. Do you anticipate that will be completed this year?

Colonel PEIXOTTO. Yes; we would expect that to be completed this year.

PASSENGER VEHICLE

Senator GARN. During fiscal year 1984, you intend to replace one passenger motor vehicle. What is the age and total mileage of that vehicle?

Mr. COSTANZO. It is a 1976 Plymouth with 42,000 miles.

Senator GARN. What do you estimate the replacement cost will be?

Mr. COSTANZO. $7,000.

ARLINGTON MASTER PLAN

Senator GARN. In 1967, Congress approved a master plan for the construction of 28 projects at Arlington National Cemetery. To date, 23 of these projects have been funded or partially funded. Which projects approved in the master plan have not yet been funded?

Mr. SMITH. The projects in the master plan that have not been funded to date are the permanent visitor center and parking facility, new warehouse facility, land development project 90 which encompases 40 acres of land, the west boundary wall, and rehabilitation of the Custis walk.

Senator GARN. When do you estimate that all projects will be completed?

Mr. SMITH. All projects should be completed by 1989, provided funds are made available by Congress and OMB.

Senator GARN. Could you provide, for the record, a list which includes the cost or projected cost of all the projects approved in the master plan?

Mr. SMITH. I will.

[The information follows:]

Arlington National Cemetery master plan of major projects

Completed

1. Service complex	$580,000
2. Temporary Visitors Center and parking lot	901,000
3. Land development project 80 (102 acres)	777,000
4. Landscape old area	68,000
5. Landscape sections 28, 38, 43, horseshow grounds and Tomb area	899,000
6. Turf irrigation (500 acres)	1,598,000
7. Closure of Arlington Ridge Road	514,000
8. Landscape Arlington Ridge Road	75,000
9. Phase II, temporary parking lot and landscape	378,000
10. Project 27 drainage	171,000
11. Administration building	2,331,000
12. Land development project 85–85A (40 acres)	2,250,000
13. East front Amphitheatre renovation	1,890,000
14. Amphitheatre walks	971,000
15. Turf irrigation (chlorination)	110,000
16. Electrical distribution	235,000
17. Trophy room renovation	306,000
18. South boundary wall and fence	244,000
19. Columbarium—5,000 niches (partial)	1,931,000
20. Repair of Cemetery roads (partial)	2,229,000

Arlington National Cemetery master plan of major projects—Continued

Completed	
21. Amphitheatre rehabilitation	$1,928,000
22. Landscape Columbarium (partial)	30,000
23. Guard shelters	12,000
Total	20,428,000

Major projects remaining

Unfunded	
1. Permanent visitors center and parking facility	$10,207,000
2. New warehouse facilities	6,724,000
3. Land development project 90 (40 acres)	11,202,000
4. West boundary wall	3,146,00
5. Rehabilitation of Custis walk	645,000
Total	31,924,000

ROAD REPAIR

Senator GARN. You are requesting $438,000 for the repair of roads in the cemetery. Your fiscal year 1983 budget indicates that you will be spending $300,000 on this construction project. When do you estimate the road repairs will be completed?

Mr. SMITH. The repair of the roads project will be completed by fiscal year 1988, again providing funds are made available by Congress and OMB.

Senator GARN. What will be the total cost associated with this project?

Mr. SMITH. Projected cost for the completion is $6,909,000, of which $2 million have already been committed to the project.

VISITORS CENTER AND PARKING FACILITY

Senator GARN. The master plan for the Arlington Cemetery authorized the construction of a permanent visitor center and parking lot. While a temporary visitors center and parking lot was constructed in 1969, no permanent facilities have been constructed.

However, in fiscal year 1983, you intend to spend $100,000 for a feasibility study on the construction of a permanent visitors center and parking lot.

What will be the scope of this study?

Mr. SMITH. The permanent visitors center and parking lot is included in the Arlington Cemetery master plan approved by the Congress in 1967. The feasibility study and cost estimate for the underground visitors center and two-tiered parking facility was completed in 1967. The total cost was estimated at $36 million. This was considered too costly and the second concept for the above ground two-tiered parking center and visitors center was developed. The estimated cost for this facility is $10,207,000, of which $6 million is for the parking facility.

The current feasibility study will reassess our requirements for parking and development possible design and size concepts that can be constructed at a lesser cost. This study will address requirements for both the visitors center and the parking facility.

Senator GARN. Did you recommend that these facilities be funded in fiscal year 1984 in your request to OMB?

Mr. SMITH. Yes. We requested $300,000 for preliminary design and engineering investigation.

Senator GARN. What do you estimate the construction cost will be for these two facilities?

Mr. SMITH. $10,207,000 is the cost. The two facilities have to work hand in hand. We consider it one entity.

LAND AND STRUCTURES

Senator GARN. In fiscal year 1984, you are requesting $1,824,000 for land and structures. This is an increase of $1,452,000 over your current fiscal year 1983 level. What is the justification for this large increase?

Mr. SMITH. Funds in the amount of $1,325,000 are being requested for the construction of the 5,000-niche module to complement the existing module, which will run out of niches in fiscal year 1985. An additional $438,000 is being requested for continuing repair of cemetery roads and $61,000 is being requested for remedial landscaping of the newly developed areas in the cemetery.

FLAGSTAFF AND MONUMENTS

Senator GARN. During the last 2 fiscal years, you have not provided funding for flagstaff and monument maintenance. In fiscal year 1984, however, you are requesting $3,000. What types of maintenence projects do you intend to undertake in this activity?

Mr. COSTANZO. The funds are required to paint three 75-foot flag poles. This project is accomplished approximately once every 3 years.

Senator GARN. The reason I asked that specific question is, I have a hard time dealing with a request for only $3,000. [Laughter.]

On the Appropriations Committee you get so used to rounding off to the nearest $100 million, that when people request $3,000, $5,000, and $7,000, it is a little hard to cope with numbers which are that small. However, when we talk about our individual budgets, we can actually comprehend figures of that size.

Colonel, I appreciate your willingness to be here today. Rather than take any more of your time, I will submit the remainder of my questions, as well as questions from Senator Huddleston, for your response for the record.

Do you have anything else you wish to add?

Colonel GLEASON. No, sir. Thank you for allowing us to appear.

Senator GARN. Thank you very much.

SUBMITTED QUESTIONS

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR GARN

WAREHOUSE

During last year's hearings, you indicated the new warehouse facility which you intended to construct in FY 82 and FY 83 had been defered by OMB. However, you stated that the current time-table has been rescheduled for design in FY 84 followed by construction in FY 85.

Question: What is the current status of the warehouse facility construction?

Answer: This was one of the projects defered by OMB in FY 1982 and FY 1983, and again in FY 1984. The current timetable has been rescheduled for design in FY 1985 followed by construction in FY 1986 and FY 1987. Total Construction cost will be $6,724,000.

ADMINISTRATION

Question: Your original FY 83 budget request for the Management and Administrative functions at Arlington and the Soldiers' and Airmen's Home National Cemeteries was $323.000. Your current estimate for these activities in FY 83 is $316,000.

Please explain the decreases in this account.

Answer: The original request was based on the FY 82 estimate. The revised estimate was based on the FY 82 actual.

VEHICLE DATA

On page 8 of your budget justification, you provide a list of the vehicles used at the Arlington and Soldiers' and Airmen's National Cemeteries. You indicate that the main criteria in determining whether these vehicles should be replaced is age.

Question: When do you estimate each of these vehicles will need to be replaced?

Answer: All of these vehicles need to be replaced during FY 84.

Question: What do you estimate will be the replacement cost for each of these vehicles?

Answer:
1 each, 1977 3/4 Ton Carryall, $9,000;
1 each, 1974 2 1/2 Ton Dump Truck $17,000;
4 each, 1977 Dodge 1/2 Ton Pickup Trucks, $7,500 each;
1 each, 1974 International Harvester, 29 Passenger Bus, $11,800;
4 each, 1977 Dodge 3/4 Ton Pickup Trucks, $7,500 each.

OPERATION AND MAINTENANCE

The operation and maintenance activities at Arlington and the Soldiers' and Airmen's Home National Cemeteries are performed by a mix of in-house personnel and contractual services. Ground maintenance, security and headstone realignment are the major functions performed by private firms.

Question: How much was paid to these private firms in FY 82?

Answer:		
	Security Contract	$316,000
	Ground Maintenance Contract	$897,000
	Headstone Realignment	$ 30,000

Question: What do you estimate will be the cost in FY 83 and FY 84?

Answer:	FY 83	FY 84
Security Contract	$ 398,000	$ 398,000
Ground Maintenance Contract	$1,104,000	$1,140,000
Headstone Realignment	$ 150,000	$ 150,000

The Tomb of the Unknown Soldier; The Memorial Amphitheater; The Vistor's Center; The Administration Building; The Columbarium, and The graves of Presidents Kennedy and Taft are among the more well known edifices and historic sites that require constant maintenance at Arlington Cemetery.

Question: What were the maintenance costs for these sites in FY 82?

Answer: The total cost for FY 82 was $257,760.

Question: What are your estimates for FY 83 and FY 84?

Answer: The total estimated cost for FY 83 is $267,668 and $269,672 for FY 84.

OTHER SERVICES

Page 10 of your budget justification shows the activities funded through your other services açcount. You indicate that in FY 84 you will decrease from your current FY 83 level, funding for water and sewer system maintenance by $14,000 and walls, fences and gates maintenance by $6,000.

Question: What maintenance activities funded in FY 83 will not be funded in FY 84?

Answer: The decrease from Fy 83 level in funding for water system is actually $14,000 which will be used in FY 83 for replacement of the water circulating pumps at the Senator Robert F. Kennedy gravesite at a cost of $21,000, and replacement of 14 public drinking fountains at a cost of $7,000 during FY 84. The decrease in funds required for maintenance of walls, fences and gates, results from the difference in cost of the projects to be accompished. During Fiscal Year 1983, we will repair the Cemetery iron fence at Soldiers' amd Airman's Home National Cemetery at a cost of $10,000. During Fiscal Year 1984, we will accomplish some minor repointing of the Cemetery stone boundry wall at Arlington National Cemetery at a cost of $4,000.

INITIAL BUDGET REQUEST

Question: How does your FY 84 budget compare to your initial request to OMB?

Answer: The FY 84 budget request is $1,536,000 less than the initial request to OMB.

Question: In what areas were the major reductions made and what effect will these have on the operation and maintenance of your facilities and the standard which you have to maintain in those facilities?

Answer: All reductions were in the construction and road repair area and will not have a significant effect on the operation and maintenance of facilities.

QUESTIONS SUBMITTED BY SENATOR HUDDLESTON

BURIAL AND INURNMENT ELIGIBILITY

Question: What criteria are currently used to determine who qualifies for burial in Arlington Cemetery?

Answer: Following are the eligibility criteria for ground burials and Columbarium inurnment at Arlington National Cemetery:

- Any person whose death occurs while serving on active duty in the Armed Forces of the United States.

- Armed Forces retirees, receiving retired pay, or eligible to receive retired pay at some future date.

- Honorably discharged veterans who have held Federal elective office.

- Honorably discharged veterans who have held Federal appointed office at Level I or Level II.

- Honorably discharged veterans who have served as Chief Justice of the United States or as an Associate Justice of the Supreme Court of the United States.

- Honorably discharged veterans who have held Ambassador positions at Class I missions.

- Honorably discharged veterans who have been awarded either the Medal of Honor, Distinguished Service Cross, Navy Cross, Air Force Cross, Distinguished Service Medal, Silver Star, or the Purple Heart.

- Honorably discharged veterans who were separated from the Armed Forces prior to 1 October 1949 because of a service-connected disability rated at 30% or more.

- Spouses, unmarried minor children, and unmarried dependent adult children of the persons listed above. Minor children must be less than 21 years of age or 23 years of age if attending school as a full time student. Unmarried dependent adult children must be incapable of self support because of a physical or mental condition which occurred before attaining the age of 21.

Columbarium Inurnment:

Any honorably discharged veteran of the United States Armed Forces or his or her spouse and dependent children may be inurned in the Columbarium for cremated remains.

Question: In Soldiers' and Airmen's Home National Cemetery?

Answer: The Board of Commissioners of the United States Soldiers' and Airmen's Home prescribe rules governing burial in the Soldiers' and Airmen's Home National Cemetery.

PROJECTED BURIALS

Question: How are your figures for projected burials in 1983 and 1984 derived?

Answer: Our figures for projected burials in 1983 and 1984 are derived from statistics of projected deaths of wartime and peacetime veterans compiled by the Veterans Administration from the year 1978 to the year 2000. We estimate that Arlington will receive .66% of the total projected veteran deaths. This is based on actual past experience and the continuation of the existing veteran population and of the standing peacetime military strengths.

Question: For the closing date at each cemetery?

Answer: The closing dates are derived by the number of projected interments versus the number of available gravesites.

BURIAL COST

Question: What is the per burial cost?

Answer: The Army's per burial cost is $260.00.

Question: What portion of this amount is borne by the Army and what by the family?

Answer: All of this cost is borne by the Army. All costs associated with the burial prior to the remains arriving at the cemetery are borne by the family. The Army is responsible for all costs associated with the actual burial after the remains arrive at the cemetery.

Question: Has this remained constant over the past few years or is it adjusted periodically?

Answer: The cost is adjusted periodically based on labor and supplies and material costs.

COLUMBARIUM

Question: What was the cost of the first module of the Columbarium and how long did construction take?

Answer: The first module of the Columbarium cost $1,662,000 and took 21 months to construct. (July 1978 to April 1980).

Question: How will the contract for the second module be handled? Competitive bidding?

Answer: Construction contract award for the second module will be handled by competitive bidding.

NON-FUNERAL EVENTS

Question: What criteria are used for determining what non-funeral events will be held?

Answer: The two types of non-funeral events (ceremonial) conducted at Arlington National Cemetery are private or public memorial services and official ceremonies. Private or public memorial services may be conducted in the Cemetery by individuals or organizations if such services are purely memorial in purpose and dedicated only to the memory of all those interred in the Cemetery, to all those dying in the military service of the United States, to all those dying in the military service of the United States while serving during a particular conflict or while serving in a particular military unit or units, or to the memory of the individual or individuals interred or to be interred at the particular gravesite at which the service or ceremony is held. A service or ceremony connected with partisan activities may not be conducted in the Cemetery. If a service is determined to be partisan by the Superintendent, permission to conduct the memorial service or ceremony will be denied. Official Ceremonies are services and ceremonies scheduled through the State Department for visiting heads of state, foreign military and political dignitaries, or ceremonies involving the President of the United States, cabinet officers, members of the Congress, and other United States government officials, who are participating in an official capacity.

Question: Does the Army assume full financial responsibility for these events?

Answer: The Army assumes full financial responsibility for ensuring that the ceremonial sites within the Cemetery are satisfactorily prepared to accomodate those in attendance.

SERVICE CONTRACTS

Question: How many commercial service contracts do you expect to have in FY 84?

Answer: Following is a listing of contracts programmed for Fiscal Year 1984:

- Maintenance of Equipment: $27,000.

- Maintenance of Roads and Walks: $53,000.

a. Apply asphalt sealer for two miles of Cemetery roads, $30,000.

b. Recaulk and pointup all marble and granite stonework at President John F. Kennedy gravesite to include lithichrome of the letters in the President's inaugural address, $23,000.

- Water and Sewer Systems: Replace 14 public drinking fountains, $7,000.

- Maintenance of Buildings: Repairs to old Warehouse to include new roofs, rain gutters, overhead doors, window sash, and repairs to the heating system, $30,000.

- Maintenance of Walls, Fences, and Gates: Repoint Cemetery boundary wall, $4,000.

- Maintenance of Flagstaff and Monuments: Paint 3 - 75 foot flagpoles to include gold-leafing of balls, $3,000.

- Ground Maintenance Contract, $1,140,000.

- Security Contract, $398,000.

- Weed Eradication, $50,000.

- Headstone Realignment, $150,000.

- Tree Maintenance:

  a. Remove 10 dead trees at $250. each, $2,500.
  b. Spraying 1,500 trees at $9.50 each, $14,250.
  c. Pruning 200 trees at $100. each, $20,000.

  Total Cost: $37,000.

- Maintenance of Fire, Security Alarms, $670.

- Maintenance of Intrusion Alarm System, $865.

- Window Cleaning Service, $2,650.

- Exterminating Service, $1,300.

- Typewriter Maintenance Service, $975.

- Maintenance of Diebold File Cabinets, $645.

- Maintenance of Ditto Machine, $330.

- Maintenance of Time Clocks, $430.

- Maintenance of Reader-Printer Machine, $845.

- Elevator Maintenance, $1,325.

- Tropical Plant Maintenance, $1,500.

- Dumpster Trash Removal Service, $13,975.

- Maintenance of Word Processing Units, $7,200.

- Restoration of World War I Unknown Soldier Interment Flag, $9,200.

- Restoration of Historical Documents, $4,100.

Question: With what firms?

Answer: The names of the firms to perform the services cannot be furnished at this time since the contracts will be awarded in FY 1984 on the basis of competitive bidding.

Question: For what purposes?

Answer: The purposes of the contracts are listed above.

Question: What is the length and cost of each? The cost of each for FY 84?

Answer: All of the above listed contracts will be issued on a one year basis at the estimated costs indicated.

PERSONNEL

Question: You have no increase in personnel or work-years budgeted for FY 84. Does this mean you anticipate no increase in workload?

Answer: We do anticipate a very small increase in workload during Fiscal Year 1984; however, this increase in work can be satisfactorily absorbed within the current staffing.

MASTER PLAN

Question: Which of the 28 projects in the Arlington National Cemetery Master Plan have not yet been funded or partially funded?

Answer: The five projects of the Master Plan that have not yet been funded or partially funded are as follows:

- Permanent Visitors Center and parking facility.
- New warehouse facility.
- Land Development Project 90 (400 acres).
- West boundry wall.
- Rehabilitation of Custis Walk.

SELECTIVE SERVICE SYSTEM

STATEMENT OF THOMAS K. TURNAGE, DIRECTOR

OPENING REMARKS

Senator GARN. Since your last appearance before this subcommittee, the Selective Service System has been the focus of considerable legal, legislative, administration, and public interest. Legal prosecution of nonregistrants has resulted in over a dozen indictments. The legality of the Justice Department's enforcement actions and the implementation of draft registration itself have been challenged in court. Several bills have been introduced in Congress to suspend registration and reduce Selective Service's budget accordingly. Recently, the administration announced that it would move to terminate educational benefits for those individuals that refuse to register. Such action is authorized by Public Law 97–252. At the same time, registration continues to grow from the 7.8 million last April to 9.5 million currently.

PREPARED STATEMENT

I see that you have a 10-page opening statement. If you would please summarize it, we will place the entire statement in the record.

[The statement follows:]

STATEMENT OF THOMAS K. TURNAGE, DIRECTOR, SELECTIVE SERVICE SYSTEM

Mr. Chairman, it's a privilege once again to appear before your distinguished committee in order to discuss the status of the revitalization of the Selective Service System and our Fiscal Year 1984 budget.

The Selective Service System budget submission for Fiscal Year 1984 specifies expenditures that will effectively complete the revitalization effort initiated in mid-1980. These FY 1984 expenditures will bring Selective Service up to full mission capability.

In the interest of government-wide economy, no major enhancements or funding increases are requested. The completion of revitalization during FY 1984 is reflected only in a minimal expenditure increase in the areas of (1) Public Awareness, (2) Compliance Programs, (3) Data Processing, and (4) the Alternative Service Program.

We have an important comparison study. This study revealed that the 1974 Selective Service System was roughly comparable in its mission to the revitalized Selective Service System of FY 1984. I am pleased to report to the Committee that the proposed FY 1984 budget is roughly only 46% of the actual dollar size of the FY 1974 Selective Service System budget - and only 22% if we take into account 10 years of inflation. Yet, we are achieving basically the same compliance rate as achieved in FY 1974 and are in a revitalized status sufficient to fulfill our mobilization mission if required by the Congress.

Let me give you some specifics: This year, we will receive approximately 2,000,000 new registrations - equivalent to the 2,000,000 received in 1974. We will maintain 12,500,000 registrant names in our data base - compared to 14,000,000 in 1974. We have appointed, and keep in a status of trained readiness, approximately 11,000 uncompensated board members. In 1974, the figure was 16,000.

Yet, the FY 1974 budget figure was $54.584 million. This is equal to $120.0 million in 1984 dollars. Our FY 1984 request is $25.499 million - to perform the same mission we had in 1974.

Mr. Chairman, in the revitalization of Selective Service, we have worked hard to reduce the cost of government and to assure compliance with the intent of Congress. We believe that through the design of our programs, and some fine-tunings along the way, we can assure equity to the public in the case of mobilization.

REGISTRATION

The revitalization of the Selective Service System is clearly a success story. Since the reinstitution of registration in July 1980, over 9.5 million men have registered with Selective Service. It is estimated that 460,000 have not. However, more than half of those who have not are from the 1964 year-of-birth group which has just completed its registration year. Although some may be late, the vast majority will register. Of those who have not registered, approximately 84,000 are members of the Reserve Components who, apparently, are not aware that the registration requirement applies to them also. A program to register this group is underway, and registrations are currently being received from these men.

Historical data reveals that, in the matter of registration compliance, "time" is a critical factor, and that by the time a specific "year-group" reaches draft eligibility (which is age 20), in excess of 97% of those required to register have registered. Current statistics confirm that this is precisely what is happening now - a clear indication that the process is working successfully. For the draft-eligible group (1960-63 birthdates), the compliance rate is 97.7%. This rate would compare very favorably with compliance for any government program.

The overall compliance rate, including all age groups is 95.4%. Anticipating the Committee's interest, I will break down that overall rate, year by year. It is as follows: Men born in 1960 and 1961 were registered in July 1980. The compliance rate for that group is now 98.6%. Men born in 1962 were registered in January 1981. The Compliance rate for that group is now at 96.8%. Since January 1981, registration of young men born in 1963, 1964, and now going into 1965, has been on a continuous basis as they become 18 years of age. In January of 1982, the compliance rate for the first continuous registration group - the 1963 year-of-birth group - was 65.9%. It is now 96.6%. And, Mr. Chairman, I am pleased to report that the figures for the 1964 year-of-birth registrants represents a significant improvement in continuous registration over the 65.9% of the 1963 group. The rate presently stands at 86.3% for the 1964 group. This figure will go even higher since the final results for this group, required to register in 1982, are not in. We believe this improvement is due to the programs Selective Service implemented in 1982. We are confident that the trend of compliance will continue upward.

COMPLIANCE AND ENFORCEMENT

The peace time revitalization of the Selective Service system is an important element in our national security preparedness. President Carter recognized the importance of demonstrating preparedness and national resolve when Soviet forces invaded Afghanistan in late 1979. President Reagan confirmed this position in early 1982 when he made the decision, based upon study by the Military Manpower Task Force, to continue peacetime registration.

Mr. Chairman, with these thoughts in mind, citizen compliance with the requirement to register is essential. Failure to register will adversely affect our national security. More than that, failure to register is not a victimless crime. It decreases the size of the pool from which inductees are drafted in case Congress sees a need to authorize mobilization. It increases the odds for induction among those citizens who complied with the law and registered. For every eligible citizen whose name is not in our data base, someone else would serve in his stead in case of mobilization. Equity demands that Selective Service conduct a complete and intensive compliance program.

We are doing that. In 1981, Congress authorized Selective Service access to Social Security files in order to identify possible non-registrants. And in the Spring of 1982, a compliance program was developed through the cooperative efforts of the Social Security Administration, the Internal Revenue Service, and Selective Service. The names and social security numbers of non-registrants were gathered from the Social Security files. In turn, Selective Service contracted with the Internal Revenue Service to do a search of their tax return files in order to locate addresses for the

1963 year-of-birth non-registrants, and to mail out letters to them specifying their requirement to register. The program was tested in August 1982 with a sample mailing of 33,000 letters mailed to names identified from the Social Security and IRS Files. The mailing resulted in nearly 12,000 new registrations. Only five of the responses were outright refusals to register. With that success, the balance of the 1963 year-of-birth group letters, totalling 103,000 names, all identified from Social Security and Internal Revenue Service files, were mailed on January 3, 1983. Results from that mailing are now coming in.

Our compliance program has since been expanded. I am pleased to report that 42 States, the District of Columbia, and 2 of the 3 Territories have furnished Selective Service with drivers license records from their Division of Motor Vehicle files. Additionally, 3 States and the other Territory have agreed to do the same. Our data processing people are currently working with computer tapes received from these Jurisdictions, and are mailing letters to suspected non-registrants identified from the tapes. To this date, 191,000 new registrations have been received as a direct result of this effort. There have been only 41 outright refusals to register.

Under our compliance programs, a suspected non-registrant is sent two or three letters by Selective Service, depending on the nature of return correspondence from him, before his case is turned over to the Department of Justice. All in all, and from all sources, a total of 474 suspected non-registrants have been referred to the Department of Justice between July 20, 1981 and December 31, 1982. We believe, however, that enforcement through indictment is far more socially divisive and will require greater expenditures than our compliance programs. Prosecutions should be a "last resort," limited to action against knowing and willful violators. Our goal is to register men, not prosecute them.

Therefore, Mr. Chairman, you will note in our budget submission that we have requested an increase of $1.1 million to continue and improve our compliance progams.

PUBLIC AWARENESS

We believe also that most non-registrants are unintentional violators. They are neither deliberate resisters nor unpatriotic citizens. In many cases they are not aware, or are unsure, of the requirement to register. Since non-registration is a felony, and further, since Congress has passed laws denying student aid and job training benefits to non-registrants, we know we have the responsibility to get the message out that registration is quick, it's easy, and it's the law. Only through an effective public awareness program will we fulfill our responsibility to preclude young men from losing the benefits of our society simply through an ignorance of the law.

Therefore, in 1982, we began an energetic public awareness progam. But we have been limited by our resources. Consequently, we have laid plans to improve this vital program in FY84. Our experience at Selective Service has proven that when our emphasis and effort toward public awareness declines, so does the rate of registration compliance. We learned this most poignantly in the summer of 1981. Continuous registration compliance, at that time, for the 1963 year-of birth, was running at 69%. During that summer, a number of actions were initiated and directed at public awareness, including public service announcements through the media and mailings to potential registrants who were about to turn 18 years of age. Almost immediately, the compliance rate jumped to 77%.

Our proposed public awareness program for FY 1984 takes into consideration the need to combat and neutralize a constant barrage of misleading messages received by the public from various quarters. Too often, an incorrect perception might be drawn by the public from adverse statements made by anti-registration groups or individuals which are carried in the media. These incorrect messages include the charge that the registration program lacks public and official support, or that non-registration isn't really a serious offense, or even that the registration law has been invalidated and is no longer in force. Only a comprehensive public awareness program can combat this. For these reasons, persons in the executive, legislative, and judicial branches of the government have advocated a stepped-up public awareness program by the Selective Service System. So have the media professionals. For example, a 1982 Washington Post editorial warned that the government must "take the trouble to educate them [potential registrants] more than they have."

We agree. Therefore, Selective Service is requesting an additional $800,000 to carry out our responsibility in making the public aware of the registration law. Well over half these funds will be consumed by postage costs alone.

In FY 1984, our public awareness programs will include public service announcements on 7,500 radio stations, 750 TV stations, 3,500 newspapers, and donated billboard and transit card space. During 1982, in a similar effort using only billboard and transit card space, Selective Service received well over $1 million worth of advertising for an expenditure of less than $60,000.

It is important to note that we have a new audience to reach every year - in fact, every month. And the dollars we spend on our public awareness program go a long way and have a high return. As is the case with our compliance programs, it is better to expend monies on public awareness than on prosecution.

SERVICING OUR DATA BASE THROUGH AUTOMATION

Revitalization of the Selective Service System has been put on firm ground with our increased planning and consequent capabilities in automated data processing. The Joint Computer Center, located in Chicago, established jointly by Selective Service and the Military Entrance Processing Command, handles the daily data processing requirements of continuous registration. Approximately 150,000 new registrations are received each month.

In order to improve service to our registrants, we have arranged for the U.S. Postal Service to mail completed registration forms to Selective Service on a weekly basis instead of monthly or twice a month as done heretofore. This revision has enabled us to now acknowledge a new registration within 35 days of the date it was filled out. This is a marked improvement over the prior turn around time of 58 days.

In September of 1982, the General Accounting Office issued a report which expressed concern that equity in an actual mobilization might be lessened due to non-reported address changes of registrants already in our data base. We agree. Thus, Selective Service has responded with a program to validate addresses in order to insure their up-to-date accuracy. Approximately 2.6 million verification letters will be mailed each year to registrants belonging to the 19 and 20 year old groups. Our verification program is focused upon these age groups because 20 is considered to be the primary age for induction in case of mobilization. These verification letters are sent only to registrants who have had no file activity on their name in the previous 11 months. And we have secured agreement from the Postal Service to forward these verification letters when the addressee has moved. When new data is received, a new acknowledgement letter will be sent to the registrant.

Ongoing service to our registrants, plus preparedness in case of an actual mobilization, is made possible by a telecommunications system which connects our data centers in Illinois, the Alexandria Computer Center, our Headquarters, and six Regional Offices. During 1983, this communications capability will also be put in place to 566 terminals in 436 Area Offices. Therefore, additional telecommunications costs for FY84 will be $180,000. This is an important expenditure because it will further insure the integrity and equity we are carefully building into the revitalized Selective Service System.

LOCAL AND APPEAL BOARDS. THE RESERVE FORCES OFFICERS PROGRAM

A major activity during 1982 was the implementation of a comprehensive training program for over 10,500 men and women appointed as Local Board members. These are unpaid citizen volunteers donating their time to the Selective Service System. Reserve Forces Officers served as instructors at 381 different training sessions for the 10,500 newly appointed Board members. We have also implemented a program to select, nominate, and appoint approximately 500 additional civilian volunteers to staff 95 District Appeal Boards. They will receive initial training during 1983. Our training materials have already been carefully developed. Again, the Reserve Forces Officers have a vital role in this training.

Should emergency mobilization be authorized by Congress, over 400 Area Offices and over 2,000 Local Boards must be prepared to receive and process registrant claims on matters of postponement, deferment, or exemption. The ability of Selective Service to accomplish this mission rests solely upon the existence of a trained and ready cadre of Reserve and National Guard officers. Therefore we have a contingent of 723 such officers being constantly trained to establish the 436 Area Offices, establish 55 State Headquarters, give support to the Regional and National Headquarters, and support Military Entrance Processing Station requirements in the case of mobilization.

ALTERNATIVE SERVICE

Mr. Chairman, Selective Service has made every effort to comply with Congressional intent and to respond favorably to all parties interested in alternative service for conscientious objectors. I am pleased to state that we have nearly completed writing the regulations that will put the Alternative Service Progam in readiness. Publication in the Federal Register, for public comment, is scheduled for this month, February 1983.

Selective Service has begun contacting interested and eligible employers in order to gain their support and agreement for participation in the program. Through this effort, we will develop a list of employers who can immediately provide placement for Alternative Service Workers in the case of mobilization. We have already signed an interagency memorandum of understanding with the U.S. Forest Service and the Department of Housing and Urban Development as prospective employers for Alternative Service Workers.

Additionally, Selective Service will establish Civilian Review Boards, an important element in the Alternative Service Program, during FY 1983. These Civilian Review Boards will have responsibility to adjudicate the appeal of an Alternative Service Worker who makes claim that his job assignment violates his conscience. Recruitment, selection, and appointment procedures are presently being developed for the Civilian Review Boards. Training will commence in FY84. An additional expenditure of $155,000 is requested for space, equipment rental, trainer travel, and training materials in the development of these Boards.

CONCLUSION

Mr. Chairman, this concludes my statement. We thank you and Members of the committee for support of our mission at Selective Service. I welcome any questions you may have.

SUMMARY STATEMENT

Mr. TURNAGE. Thank you, Mr. Chairman. It is a privilege once again to appear before your distinguished committee. At the outset I would like to introduce Mr. Arnold Brodsky, Financial Manager for Selective Service, and Mrs. Jane Langan, who will assist me in the event we have questions which require assistance with the graphic displays.

The Selective Service System budget submission for fiscal year 1984 specifies expenditures that will enable us to continue the effort toward revitalization that was initiated in mid-1980. These fiscal year 1984 expenditures will make it possible for Selective Service to achieve important progress toward full mission capacity.

Parenthetically, I would like to point out here, with your indulgence, that due to an editing error in the original statement transmitted with the budget submission, we stated that this appropriation request would bring us to full revitalization of the Selective Service System. But, in fact, due to the reductions which were occasioned by our arrangements with OMB, it will not. This budget will, instead, continue the effort toward full revitalization.

In this effort, we have worked hard to reduce the cost of government and to assure compliance with the intent of Congress. We believe that through the design of our programs, and some fine-tunings along the way, we can assure equity to the public in the case of mobilization.

REGISTRATION

Mr. Chairman, the movement toward revitalization of the Selective Service System is clearly a success story. Since the reinstitution of registration in July 1980, over 9.5 million men have registered with Selective Service. It is estimated that 460,000 have not.

Historical data reveals that, in the matter of registration compliance, time is a critical factor, and that by the time a specific year group reaches draft eligibility—which is its 20th year—in excess of 97 percent of those required to register have registered. Current statistics confirm that this is precisely what is happening now. For the draft-eligible group—1960–63 birthdates—the compliance rate is 97.7 percent. This rate would compare very favorably with compliance for any Government program.

COMPLIANCE AND ENFORCEMENT

The overall compliance rate, for all age groups, is 95.4 percent. Anticipating the committee's interest, I will break down that overall rate, year by year. It is as follows: Men born in 1960 and 1961 were registered in July 1980. The compliance rate for that group is now 98.6 percent. Men born in 1962 were registered in January 1981. The compliance rate for that group is now at 96.8 percent. Since January 1981, registration of young men born in 1963, 1964, and now going into 1965, has been on a continuous basis as they become 18 years of age. In January 1982, the compliance rate for the first continuous registration group—the 1963 year-of-birth group—was 65.9 percent. It is now 96.6 percent. For the 1964 group, the rate presently stands at 86.3 percent. This figure will go even higher since the final results for this group are not in.

The peacetime revitalization of the Selective Service System is an important element in our national security preparedness. Failure to register will adversely affect our national security. More than that, failure to register is not a victimless crime. It increases the odds for induction among those citizens who complied with the law and registered. Therefore, equity demands that Selective Service conduct a complete and intensive compliance program.

We are doing that. In 1982, Congress authorized Selective Service access to Social Security files in order to identify possible nonregistrants. And in the spring of 1982, a compliance program was developed through cooperative efforts with the Social Security Administration and the Internal Revenue Service. As a part of this cooperative effort, Selective Service contracted with the Internal Revenue Service to do a search of their tax return files in order to locate addresses for the 1963 year-of-birth nonregistrants and mail out letters to them specifying their requirement to register.

Our compliance program has since been expanded. I am pleased to report that 42 States, the District of Columbia, and two of the three territories have furnished Selective Service with drivers license records from their division of motor vehicle files. Our data processing people are mailing letters to suspected nonregistrants identified from those files.

Under our compliance programs, a suspected nonregistrant is sent two or three letters by Selective Service, depending on the nature of return correspondence from him, before his case is turned over to the Department of Justice. We believe, however, that enforcement through indictment is far more socially divisive and will require greater expenditures than our compliance programs. Our goal is to register men, not prosecute them.

PUBLIC AWARENESS

We believe that most nonregistrants are unintentional violators. Since nonregistration is a felony, and further, since Congress has passed laws denying student aid and job training benefits to nonregistrants, we have an important responsibility to get the message out that registration is quick, it's easy, and it's the law.

Therefore, in 1982, we began an energetic public awareness program. We have laid plans to improve this vital program in fiscal year 1984. Our experience at Selective Service has proven that when our emphasis and effort toward public awareness increases, so does the rate of registration compliance.

Our proposed public awareness program for fiscal year 1984 takes into consideration the need to combat and neutralize a constant barrage of misleading messages received by the public from various quarters. These incorrect messages include the charge that the registration program lacks public and official support, or that nonregistration is not really a serious offense, or even that the registration law has been invalidated and is no longer in force. Only a comprehensive public awareness program can combat this. For these reasons, persons in the executive, legislative, and judicial branches of the Government have advocated a stepped-up public awareness program by the Selective Service System. So have the media professionals. We agree.

In fiscal year 1984, our public awareness programs will include public service announcements on 7,500 radio stations, 750 TV stations, 3,500 newspapers, and donated billboard and transit card space.

It is important to note that we have a new audience to reach every year—in fact, every month. And the dollars we spend on a public awareness program have a high return.

SERVICING OUR DATA BASE THROUGH AUTOMATION

The effort toward revitalization of the Selective Service System has been put on firm ground with our increased planning and consequent capabilities in automated data processing.

In order to improve service to our registrants, we have arranged for the U.S. Postal Service to mail completed registration forms to Selective Service on a weekly basis instead of monthly or twice a month as done heretofore. This has enabled us to now acknowledge a new registration on an average of 35 days of the date it was filled out.

Additionally, Selective Service has initiated a program to validate addresses in order to insure their up-to-date accuracy. Approximately 2.6 million verification letters will be mailed each year to registrants belonging to the 19- and 20-year-old groups. Our verification program is focused upon these age groups because 20 is considered to be the primary age for induction in case of mobilization.

Ongoing service to our registrants, plus preparedness in case of an actual mobilization, is made possible by a carefully planned telecommunications system. During 1983, this communications capability will be put in place to 566 terminals in 436 area offices, and will further insure the integrity and equity we are carefully building into the revitalized Selective Service System in case of mobilization.

COMPREHENSIVE TRAINING PROGRAM FOR BOARD MEMBERS

A major activity during 1982 was the implementation of a comprehensive training program for over 10,500 men and women appointed as local board members. Reserve forces officers served as instructors at 381 different training sessions for the 10,500 newly appointed board members. Additionally, we have implemented a program to select, nominate, and appoint approximately 500 additional civilian volunteers to staff 95 district appeal boards.

The ability of Selective Service to accomplish its mobilization mission rests solely upon the existence of a trained and ready cadre of Reserve and National Guard officers. Therefore, we have a contingent of 728 such officers being trained on a constant basis.

ALTERNATIVE SERVICE

Mr. Chairman, Selective Service has made every effort to comply with congressional intent and to respond favorably to all parties interested in alternative service for conscientious objectors. I am pleased to state that we have nearly completed writing the regulations that will put the alternative service program in readiness. The proposed regulations have been submitted to the Federal Register for printing this month, February 1983.

During 1983, Selective Service will establish civilian review boards, an important element in the Alternative Service Program. These civilian review boards will have responsibility to adjudicate the appeal of an alternative service worker who makes a claim that his job assignment violates his conscience. Training of civilian review board members will be conducted in fiscal year 1984.

Mr. Chairman, this concludes my statement. We thank you and members of the committee for support of our mission at Selective Service. I welcome any questions you may have.

Senator GARN. Thank you very much.

TOTAL VERSUS INCREMENTAL COST

In reviewing your budget request, your justification only references the incremental fiscal year 1984 cost and does not provide the fiscal year 1983 base for each of these activities.

I would hope in the future that you will be sure to include the current year levels in your justification as well.

Mr. TURNAGE. We will be pleased to do that, sir.

COMPLETION OF REVITALIZATION ACTIVITIES

Senator GARN. On page 2 of your budget justification, you state that this budget submission for fiscal year 1984 will effectively complete the revitalization cycle." You have already corrected this statement. The question I was going to ask you was, based on that statement, will the cost of running the Selective Service System after 1984 only reflects changes associated with inflation?

Now with the correction of the statement, what activities will still be uncompleted at the end of fiscal year 1984?

Mr. TURNAGE. We expect to have a requirement for additional Reserve forces officers, based on the expansion of the System, to include military enlistment processing command (MEPS) officers. We expect to have additional ADP requirements consistent with the normal growth of the System because of the additional age groups that will be part of our registrant data base. We expect that we would have a need for additional board member training funds because training must be an ongoing activity in order to retain quality in our revitalized System. Additionally, natural attrition makes training of new board members necessary. None of these activities, however, are related to the compliance programs where the System should be able to continue to perform its mission at the budget level we have requested.

COMPARATIVE ANALYSIS—FISCAL YEAR 1984 VERSUS FISCAL YEAR 1974

Senator GARN. Also on page 2, you present a comparison chart of the costs of running the System in fiscal year 1974 versus fiscal year 1984. Unfortunately, it is probably a typo, but you omitted the column heading.

I am wondering if you could submit a corrected copy for the record. We know what the columns represent. But other people reading it possibly have some difficulties understanding what the columns are.

Mr. TURNAGE. We will do that, sir.

[The information follows:]

TABLE I

	Fiscal year—	
	1974	1984
Operating budget (not adjusted for inflation)	$54,584,000	$25,499,000
Operating budget (adjusted for inflation)	117,519,000	25,499,000
Compensated employees	2,356	282
Uncompensated board members	16,000	11,000
Uncompensated registrars	23,500	
Reserve forces officers	850	728
New registrants/year (approximate)	2,000,000	2,000,000
Number of registrants files maintained	14,000,000	12,500,000
Number of classification actions	3,800,000	
Total registrant transactions	17,800,000	
Cost/registrant transaction (not adjusted)	$3.07	$2.04
Cost/registrant transaction (adjusted)	$6.60	$2.04

NOTE: Making comparisons is complicated by the fact that no year prior to deep standby directly parallels any year since. The year 1974 was selected as the year that most closely parallels 1984.

Senator GARN. While the chart attempts to depict how efficiently you are conducting your business, I find the comparisons contained in the chart somewhat misleading.

First of all, the number of employees in fiscal year 1974 is almost 10 times the number employed. The number of board members and registrars is only four times today's level and in fiscal year 1974, 3,800,000 classification actions were taken versus none in fiscal year 1984. Three million, or based on the current nature of the Selective Service's business in fiscal year 1974, I find a comparison based on cost per transaction not particularly appropriate.

What is the point you would like to make about your operating cost?

Mr. TURNAGE. I think the overall point to be made by the comparison is the relative efficiency of the System now as opposed to then, and the difference in levels of full-time employees necessary to achieve basically the same objectives. Because of technological capabilities now available to Selective Service, and the fact that registration is done through the Postal Service as opposed to the local board personnel of 1974, a comparison of costs to achieve basically the same registration compliance rate reflects favorably upon the efficiency and effectiveness of the fiscal year 1984 Selective Service System.

ADP TRANSACTIONS PER EMPLOYEE

Senator GARN. What specific goals have you established in terms of the processing costs per transaction?

Mr. TURNAGE. For the ADP transactions, we are talking about 400 by fiscal year 1984. That compares to about 284 now. We expect that efficiencies in processing will enable us to achieve the higher rate.

IDENTIFICATION OF NONREGISTRANTS

Senator GARN. Last year, we asked you what factors would be considered in determining whether or not to initiate enforcement action against individuals that fail to register. At that time you stated that, "Evidence of a knowing failure to register or evasion or refusal will suffice."

Based on your data, approximately 460,000 individuals have failed to register. Your budget justification states that as of December 31, 1982, only 474 names have been referred to the Justice Department.

Why haven't more cases been referred?

Mr. TURNAGE. Mr. Chairman, heretofore we had been dependent upon the receipt of notice from individuals themselves who notified us directly that they would not register. Sometimes information came from neighbors or other people who reported individuals who did not register. We called that, in effect, a passive enforcement program, because we depended upon voluntary information for the identification of those who had failed to register. And, as each of those names became available to us, we wrote to the individual indicating the gravity of nonregistration. In our correspondence, we pointed out to the individual that he would not lose, compromise, or abrogate any of his rights by registering in the event that later he chose to claim hardship or conscientious objector status or any other classification in the system that is inherent in the law.

However, if an individual still persisted in not registering, then his name was sent to the Department of Justice. In every case, we sent those names. None have been retained by us. There were no selections. Nor were there any exceptions.

More currently, by virtue of the authority granted by the Congress to let us match our records with Social Security files, we have been able to move from a passive enforcement program to an active enforcement program. We are now able to identify specific individuals by name who have failed to register by matching social security numbers with Internal Revenue Service address lists. Additionally, through division of motor vehicle records provided by 42 States and 2 territories, and through other lists that have become available to us, we can now send letters to suspected nonregistrants requesting that they register or inform us why they have not, and give them the opportunity to do so.

In the main, we have received mostly positive responses saying, "Register me." However, we have received other letters, some of which say, "I don't need to register." Through this active enforcement program we have found that there was some misunderstanding of the law on the part of some individuals or groups of individuals. For example, oddly as it sounds, there were 122,000 Reservists and National Guardsmen who had not registered, apparently believing that they did not have to do so. Other letters came back saying, "I have a physical malady; I don't have to register." We have followed up on these kinds of responses, pointing out what the law requires.

This active enforcement program has had positive results. Just last week, for the first time, we were able to provide a much larger list to the Department of Justice suggesting that here are people who have not registered or say they will not.

MULTIYEAR REGISTRATION STATISTICS

Senator GARN. How many individuals has Selective Service identified in the 1960 to 1964 birth-group year that have not registered?

Mr. TURNAGE. If I may, it would be a good time to show graphics which indicate the progress that has been made in the system.

I have asked Mrs. Langan to assist us now.

These graphics not only show current registration data, but they show some important comparisons.

For example, the first chart shows current registration data. If you will note, the induction priority groups 1 through 4 are depicted. This priority designation includes the groups born 1960 through 1963. The overall compliance rate for those year-of-birth groups is 97.7 percent.

I would like to now invite your attention to the next chart which is a comparison of the rate of compliance for the primary induction groups between January 3, 1982, and February 13, 1983. Last year, the compliance rate was 85.3 percent. This year it is 97.7 percent. This favorable comparison indicates the trend that I alluded to in my earlier statistics.

The third chart shows a comparison of the estimated number of noncompliants. On January 3, 1982 we had a total of over 1 million people from the primary induction groups who had not complied. That figure is now down to 187,000. We think that this is a quantum jump forward.

The next chart shows the data of all groups. It responds to your question regarding the 1964 year-of-birth group. Please note that the overall percentage of compliance is 95.4 percent.

The 1964 group is the year-of-birth group that only 3 weeks ago was still registering because some still had a month from December 31 to register on a timely basis. During 1983, they will be the ones who will have the emphasis in our compliance program.

The next chart indicates the comparison of the percentage of compliance for all year groups. The chart reflects the rate of compliance for the 1964 group and indicates an overall compliance rate of 95.4 percent for all groups. The following chart will show the comparison of estimated noncompliants for all year groups. I think once again, it is significant to point out here that the trend of reduction has gone from 1,153,000 in January 1982 for the draft eligibles to 187,000, currently. We have 272,000 for the 1964 group which have not complied, giving an overall total of approximately 460,000.

I want to point out that when people who are opposed to registration want to make something of the fact that so many have not registered, they fail to point out that the group of nonregistrants is not a constant group. There is a backlog, or delay, as people leave the nonregistrant status and become current in the registration process. It is never the same individuals who are recalcitrant when making that move.

I believe that these statistics are influential in demonstrating what I consider to be the success that has been achieved in the registration program in the last year.

REFERRALS TO DEPARTMENT OF JUSTICE

Senator GARN. How many names did you turn over to Justice last week?

Mr. TURNAGE. Something just slightly in excess of 5,000.

Senator GARN. Has Justice drawn up any criteria for you to select individuals for you to refer to them? Have they made any suggestions at all?

Mr. TURNAGE. No. We determine, through our process, that an individual has not registered and will not do so even after receipt of at least two letters from us. Then, without selection or criteria, we send those names to the Department of Justice on an as-available basis.

Senator GARN. I would assume that now that you have gone from a passive to an active program, that you would expect a rate of referral to increase rather rapidly?

Mr. TURNAGE. Yes, sir; we do.

LOW-COMPLIANCE AREAS

Senator GARN. Last year, I asked you to identify those specific localities with low-compliance rates. Can you supply that data for the record?

Mr. TURNAGE. Mr. Chairman, without giving specific statistics because it is not that finite, we can suggest to you that it is the major urban areas in the country where the rate of compliance is lower.

A number of factors are involved. One is the fact that some people cannot be identified or do not show up on any particular roster or school list. Second, there may be a language barrier in some urban areas. We are taking action in the design of our public awareness program to focus on that problem. In some of our public awareness materials, we will be using non-English languages.

Senator GARN. Since you have shown these charts here, I assume you have the information contained on the charts in printed form?

Mr. TURNAGE. We will have it for the record.

Senator GARN. I would certainly appreciate your supplying this information for the record.

Mr. TURNAGE. Yes, sir.

[The information follows:]

REGISTRATION DATA—DRAFT ELIGIBLES

[Current to Feb. 13, 1983]

Year of birth	Induction priority	Potential registration	No. of registrations	Percent compliance
1960	4th	2,009,000	1,955,000	97.3
1961	3d	1,977,000	1,976,000	99.9
1962	2d	2,026,000	1,962,000	96.8
1963	1st	2,023,000	1,955,000	96.6
Compliance for draft eligibles		8,035,000	7,848,000	97.7

PERCENTAGE OF COMPLIANCE—DRAFT ELIGIBLES

Year of birth	Jan. 3, 1982[1]	Feb. 13, 1983
1960	92.1	97.3
1961	94.2	99.9
1962	87.7	96.8
1963	65.9	96.6
Total	85.3	97.7

[1] Adjusted per current Census estimates.

ESTIMATED NONCOMPLIANTS—DRAFT ELIGIBLES

Year of birth	Jan. 3, 1982[1]	Feb. 13, 1983
1960	158,000	54,000
1961	114,000	1,000
1962	249,000	64,000
1963	632,000	68,000
Total	1,153,000	187,000

[1] Total population adjusted per current Census estimates.

REGISTRATION DATA—ALL YEAR GROUPS

[Current to Feb. 13, 1983]

Year of birth	Induction priority	Potential[1] registrtions	Number of registrations	Percent compliance
1960	4th	2,009,000	1,955,000	97.3
1961	3d	1,977,000	1,976,000	99.9
1962	2d	2,026,000	1,962,000	96.8
1963	1st	2,023,000	1,955,000	96.6
Compliance for draft eligibles		8,035,000	7,848,000	97.7
1964		1,990,000	1,717,000	86.3
Total		10,025,000	9,565,000	95.4

[1] Adjusted per current Census estimates.

PERCENTAGE OF COMPLIANCE—ALL YEAR GROUPS

Year of birth	Jan. 3, 1982[1]	Feb. 13, 1982
1960	92.1	97.3
1961	94.2	99.9
1962	87.7	96.8
1963	65.9	96.6
Subtotal	85.3	97.7
1964		86.3
Total	85.3	95.4

[1] Total population adjusted per current Census estimates.

ESTIMATED NONCOMPLIANTS—ALL YEAR GROUPS

Year of birth	Jan. 3, 1982[1]	Feb. 13, 1983
1960	158,000	54,000
1961	114,000	1,000
1962	249,000	64,000
1963	632,000	68,000
Subtotal	1,153,000	187,000
1964		273,000
Total	1,153,000	460,000

[1] Total population adjusted per current Census estimates.

USE OF STATE MOTOR VEHICLE RECORDS

Senator GARN. Last year you stated the Selective Service System may use drivers' licenses and graduation high school lists in identifying nonregistrants. Your current budget justification indicates you are using the IRS and State drivers' licenses as additional sources for identifying nonregistrants. How many States have agreed to furnish you drivers' license records?

Mr. TURNAGE. Forty-two States have agreed already, as have two territories. The third territory, the Virgin Islands, has agreed in principle but they are not automated yet. We expect to have access to their records sometime in the middle of the year. Additionally, three States have agreed to provide their DMV files sometime in the near future. We are also having ongoing negotiations with the remaining five States and we have confidence that we are going to get satisfaction from them. There has been every indication of desire to support the program.

COMPLIANCE PROGRAM—TEST MAILINGS

Senator GARN. Have the test mailings of letters in August 1982 and January 1983 by IRS been successful?

Mr. TURNAGE. Yes, sir, we feel they have been very successful. There are some aspects of the program, however, that are not completely satisfactory to us. For example, because of concerns about the Privacy Act, the IRS has not provided the names of nonrespondents to us. They have provided, instead, only the addresses. Then, they mail the letters for us. We get the returns. So to that extent, it has been most helpful.

However, Mr. Chairman, we find out that no one list, particularly for the age group in which we are interested, is complete. So in the interest of pursuing equity and complete accuracy in the system, we are using other means, including the division of motor vehicle files, to make our compliance program as effective as possible. Frankly, we think using all such lists—one is an adjunct to the other—is helpful to us.

USPS REGISTRATION PERFORMANCE

Senator GARN. On April 19, 1982, GAO issued a report which contained recommendations for improving the quality of your registration data. In particular, GAO notes that the number of errors could be reduced further if local postal employees exercise more scrutiny in reviewing registration cards of registrants, in clarifying illegible data, and also comparing card data with that shown on the registrant's identification.

These findings closely parallel those contained in GAO's December 19, 1980, report. In addition, about 25 percent of the registrants told GAO that postal employees did not ask them for identification which would verify information on the registration card.

What actions have you taken, if any, to improve the level of postal employee performance and are you conducting any additional training in this area?

Mr. TURNAGE. We are taking a number of actions, Mr. Chairman. First, for example, we have a very excellent rapport with the U.S. Post Office people and they have been responsive when we have pointed out what deficiencies were reflected in the GAO report.

For example, they have printed notification in the Postal Bulletin—which goes to all postal employees—of these deficiencies in order that emphasis can be put on correcting them. Moreover, there is training provided by the Postal Service for their people to assist us in accomplishing this mission. In addition to that, we send our Reserve and National Guard officers on spot checks to post offices to see that the posters are up and that, in fact, the registration forms are available upon request. We have then communicated with the U.S. Post Office people regarding any problems our spot checks have identified.

Nonetheless, we are mindful of the fact that in dealing with 35,000 post offices, and some infinite number of people who work there, we are bound to have human error. When those errors are detected by our joint computer center as the registration forms are forwarded to Chicago, we, in turn, mail out confirming letters to the registrants and ask for corrective information.

ADDRESS VERIFICATION PROGRAM

Senator GARN. In September 1982, the Genaral Accounting Office issued a report stating that:

> Address information for between one-fifth and two-fifths of the registrants facing induction could be outdated. Since undeliverable or late induction notices increase the probability of those persons who keep their registration current would be drafted, the equity of the system is reduced.

In order to update this address information, you intend to annually mail 2.6 million verification letters to registrants in their 19th and 20th year. What criteria will you use to select the individuals targeted to receive those letters?

Mr. TURNAGE. We will mail verification letters to all registrants belonging to, or approaching, the primary induction group—ages 19 to 20—who have had no correspondence with Selective Service within the preceding 11 months. We will focus our verification program upon those age groups as a priority.

Senator GARN. What response did you get to your October mailing?

Mr. TURNAGE. The results indicated that we could deliver up to 94.5 percent of the 100,000 letters the first time they were mailed. Also, based on a previous sample testing that we conducted ourselves, we have determined that by having a second mailing of the ones which were undeliverable the first time, we would achieve an additional 50-percent delivery rate of letters undeliverable the first time. So we feel that our verification program is effective and will allow us to perform our mission in the event we have to in a mobilization.

Senator GARN. What will be the cost of your annual verification process for printing, postage, and processing?

Mr. TURNAGE. For the two year-of-birth groups, it will be approximately $1 million a year, including all costs.

ADDITIONAL ACTIVITIES

Senator GARN. On page 5 of your budget justification, you note that additional activities could be undertaken during fiscal year 1984 "for optimum mission performance." Would any of these activities affect the compliance rate?

Mr. TURNAGE. No, sir. There is not a direct relationship between those activities and the compliance program.

Senator GARN. Would you provide for the record a list of all the activities proposed to OMB that were not included in your fiscal year 1984 budget request and their associated costs?

Mr. TURNAGE. We will be pleased to do so, sir.

[The information follows:]

Automated data processing	$1,945,000
Public awreness	51,000
Alternative service	112,000
Board member training	858,000
Region staff augmentation	1,101,000
State director staff-days	77,000
National headquarters augmentation and guard administration	674,000
Internal audit and review	176,000
Reserve forces	1,700,000
Total	6,694,000

ALTERNATIVE SERVICE REGULATIONS

Senator GARN. As you know, this subcommittee has taken a strong interest in the handling of the conscientious objectors and alternative services programs. As a result of this interest, we included a provision in the Fiscal Year 1982 Supplemental Appropriations Act requiring the establishment of civilian review boards to review appeals made by alternative services workers to their job assignments.

Before getting to my specific questions, I would like to thank you for cooperating with the subcommittee in implementing this provision.

Do you still intend to publish the ASW regulations this month?

Mr. TURNAGE. We think they will be coming out next week in the Register.

Moreover, Mr. Chairman, about 200 people who wrote to us with bona fide concerns after the previous printing of the proposed regulations will be receiving personal copies of the new regulations plus an explanation of what changes we have made. We are doing this so that we can create a better understanding of the proposed regulations.

Senator GARN. On what basis will an ASW be able to appeal the job assignment?

Mr. TURNAGE. Any time an alternative service worker feels that the job he is assigned to violates the conditions on which he was classified as a conscientious objector, he will have the right to have his case heard by a civilian review board.

His first appeal will be to the alternative service placement officer, second to the alternative service office manager, and third, to the civilian review board.

Senator GARN. Is it true that the judgment of the civilian review board is final and nonappealable?

Mr. TURNAGE. Yes, sir, it is final.

Senator GARN. Will the ASW be able to call witnesses on their behalf?

Mr. TURNAGE. No.

Senator GARN. Are the proposed regulations acceptable to the various peace groups?

Mr. TURNAGE. We think that the regulations will be wholly acceptable based upon the relationships that we have established with these groups and the confidence we have in the historic peace churches and people who have a concern in this area.

However, Mr. Chairman, we are not so naive as to think it will appease all peace groups since some of these have made it clear to us that nothing we do will be satisfactory.

ALTERNATIVE SERVICE JOBS

Senator GARN. Your justification identifies the expansion of your efforts to contact employers for participation in the alternative services programs as a major activity in fiscal year 1984.

What do you intend to do in order to encourage participation by employers?

Mr. TURNAGE. First of all, we are making efforts through our Reserve and National Guard structure to directly appeal to employers to determine their intent to participate in the program. We cannot expect the employers to actually dedicate or hold jobs for something that may never occur. However, we are getting endorsements from some very important sources which will indicate their support of the System in the event we have a mobilization.

A couple of specific examples are that just last week, Secretary Pierce of the Department of Housing and Urban Development signed a memorandum of understanding with us indicating support for the program. Also last week, we signed a memorandum of understanding with Mr. Max Peterson of the Department of Agriculture, Chief of the Forestry Services, indicating the same kind of support. We will continue this effort to achieve cooperation with social, medical, and other governmental and civic organizations for their endorsement and support in the event we have an actual requirement for alternative service jobs.

Senator GARN. How many job openings have you identified to date and what are your goals for fiscal 1984?

Mr. TURNAGE. I cannot give you a specific figure, Mr. Chairman. I don't think that it is feasible because it is a variable depending on economic conditions that exist at the time of an actual mobilization. However, I think it is incumbent upon us to create a cooperative environment in which we can go to the proper people to have specific jobs opened in that eventuality.

SUBMITTED QUESTIONS

Senator GARN. I have some 30 pages of additional questions. Rather than keeping you, I will submit them, as well as questions from Senators Abdnor, Huddleston, and Sasser, for your response for the record.

Do you have any additional comments you'd like to make?

Mr. TURNAGE. My only additional comment is to thank you for the opportunity to come and make our presentation to this distinguished committee and thank you for the support we have received heretofor.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR GARN

PUBLIC AWARENESS PROGRAM

Question: Last year you requested $400,000 as an FY82 supplemental. The Congress denied this request. Your FY 83 budget contained $600,000 for Public Awareness. Your FY 84 budget contains a request for $1,400,000 for your Public Awareness Program. This represents more than a two-fold increase over the FY 83 level.

Why is such a large increase required?

Answer: We are compelled to increase funding in order to expand our efforts to inform and persuade. We must not only inform the 18 year old male of the registration requirement, we must inform his parents, his teachers and others in a position to influence him to register. We must inform college financial aid administrators of the new Congressional requirement that registration-age men must register as a precondition to receiving Title IV Student Aid and we must inform registration-eligibles of the new Congressional requirement that certain Federal job training benefits can be obtained only if they are registered with Selective Service. Persuading men to register is less costly and less socially-divisive than the alternative: prosecution for failure to register. A failure to impart knowledge of the registration requirement to every registration-age male would subject the Federal Government to criticism.

Question: What evidence do you have on the effectiveness of your FY 83 Public Awareness Program?

Answer: Improved compliance rates are the best indicator of the effectiveness of our FY 83 Public Awareness Program.

Question: Please provide, for the record, a breakdown of the expenses expected to be incured in this program during FY 84.

Answer: The expenses expected to be incurred in the FY 84 Public Awareness Program are: high school mailing - $150,000; public service announcement campaign - $300,000; camera-ready copy to youth oriented publications - $97,000; specialized radio spots - $100,000; press kits mailed to school newspapers - $50,000; Spanish print and audio/visual materials - $100,000; local campaigns conducted by SSS regions - $100,000; high school drop-out program - $60,000; media tours - $25,000; attitudinal research - $80,000; information packets distributed to civic organizations - $38,000; post card mailing - $300,000.

Question: One of the activities that you intend to undertake in FY 84 is "attitudinal research to determine the best methods of delivering the registration message".

How much have you budgeted for this activity?

Answer: We have budgeted $80,000 for attitudinal research in FY 84. We expect to include some audience and market analysis research in our effort.

Question: What specific information do you expect to get from these studies?

Answer: We need to identify segments of the population that are unaware of the registration requirement or are in opposition to the registration requirement. Specific information desired:

- Determine what motivated registrants to register
- Determine principal reasons why some men register late
- Determine principal reasons why some men fail to register
- Determine principal methods by which registrants learned of the registration requirement.

Question: What types of actions might be taken as a result of the findings of these studies?

Answer: As a result of the findings, we can better plan for the future. We can implement a cogent, broad-based policy that will let us specifically tailor our public awareness program to achieve increased effectiveness at both the national and the local level.

Question: Do you also intend to conduct audience and market analysis research?

Answer: Yes, we expect to include some audience and market analysis research in our effort.

ALTERNATIVE SERVICE PROGRAM

Question: Under the Military Selective Service Act, the Director of Selective Service is charged with the responsibility of placing conscientious objectors in civilian work related to the national health, safety or interest. The program consists of three major components and I would like you to discuss the status of each of these:

The identification of employers and jobs appropriate for alternative service.

Answer: Our Reserve Forces Officers are calling on prospective employers at the same time they are working on the registration promotion effort. We are corresponding with a number of prospective employers who were contacted during "Proud Saber" in the late Fall of 1982, with the objective of enrolling them on the employer roster. Memorandums of Understanding have been signed with U.S. Forest Service and HUD concerning employing or aiding employment of Alternative Service Workers (ASWs).

Question: A job matching system to link conscientious objectors with specific jobs.

Answer: The ADP job matching system to link conscientious objectors with specific jobs is under development by a contractor.

Question: A tracking and monitoring system to manage the system once it is activated.

Answer: The tracking and monitoring system is included in the ADP development program. Some procedures are still being developed.

Question: Your justification identifies the expansion of your efforts to contact employers for participation in the Alternative Service Program as a major activity in FY 84.

What do you intend to do in order to encourage participation by employers?

Answer: We intend to contact organizations in such fields as health care, social and community services, inviting them to enter their name on our roster of potential employers of ASWs. For those needing additional information, we intend to follow up with letters and visits by staff and by Reserve Forces Officers.

Question: How many job "openings" have been identified to date and what are your goals for FY 84?

Answer: We are not asking employers to hold openings for ASWs because alternative service may never go into effect. Rather, we ask them to indicate the number of openings they might expect to have for ASWs. The employment roster is presently at the prototype stage and is made up of names collected from a 1982 survey and from part of the Proud Saber Exercise. The anticipated number of openings is approximately 500. By the end of FY84, we expect to have several thousand employers on the roster, with an estimated 10,000 positions.

TRAINING OF CIVILIAN REVIEW BOARD MEMBERS

Question: Please describe the proposed structure of the Civilian Review Boards System for the administration of the Alternative Service Program.

Answer: The structure of the Civilian Review Boards System will be 3 to 5 members on each board, appointed by the Director, with at lest 48 boards nationwide.

Question: How many members will there be nationwide and how will they be selected?

Answer: There will be bout 200-500 members nationwide selected from among the applicants for the local and appeal boards.

Question: When will the training start and when will it be completed?

Answer: Training will be conducted in FY 1984.

Question: Please describe the type of training you envision for these individuals.

Answer: The training will be comparable to the local and appeal board member training with emphasis on alternative service job assignments.

COMPLIANCE PROGRAM

Question: You note that Selective Service has taken an "aggressive posture" in an attempt to raise compliance.

What specific compliance goals have you established?

Answer: The goal is to achieve 100% compliance in all year groups as early as possible through a number of registration initiatives. Examples of these initiatives are: a consolidated effort that includes national, regional, state and local plans; Department of Motor Vehicle and Social Security Administration/Internal Revenue Service tape matching programs; reminder mailing to the current registration birth group; and a comprehensive public awareness program.

Question: Please prepare a detailed listing of the costs associated with your Compliance Program for FY 82, FY 83 and FY 84.

Direct costs of the Compliance Program are as follows:

	$000		
	FY82	FY83	FY84
Postage	$5	$481	$881
Printing	4	70	120
IRS	24	150	150
SSA	55	50	50
Contractual Services	-	-	200
Purchase commercial and DMV lists	28	20	76
	$116	$771	$1,477

REGISTRATION IMPROVEMENT PROGRAM

Question: On page 9 of your justification, you note that FY 83 will be the first year of a five year plan devoted to attaining maximum registration.

Please provide the cost of this program for each of the five years for the record.

Answer: The estimated FY 83 cost is $640,000. No specific amounts have been earmarked for future years. This effort is a high concentration activity in support of our primary mission. Funds will be drawn from all areas of our budget.

Question: In describing the plan, you say that "each state will develop a registration plan with programs tailored to the unique requirements, characteristics or opportunities for publicity within that state".

Question: How do you intend to evaluate these diverse efforts?

Answer: A pre-established, ongoing evaluation system has been implemented which requires monitoring and comparing individual Region and State program activities and accomplishments with respect to: (1)

expectations and needs; (2) impact on the established registration goal; and (3) relative impact on the goal when compared to other programs.

Question: Once the most effective elements are identified, how will you insure that they are widely used?

The effective elements will be documented and tracked; shared with all Region and State Selective Service personnel; their use encouraged and their implementation monitored.

TRAINING

Question: How much are you requesting for training of board members, appeal boards and ASW civilian review boards?

Answer: The budget request includes $499,000 for training of local and appeal board members and $155,000 for training of Alternative Service Worker Civilian Review Board members.

BOARD MEMBER TRAINING

Question: Last year, you assured us that you were committed to assuring that uniform standards for deferment are used nation wide.

What specific training and instruction has been provided and is planned, in order to assure this uniformity?

Answer: Each local and appeal board member receives basic orientation training. This includes a prework package of background and read-ahead information and a 12-hour training course that covers regulations and procedures for judging claims.

This training is standard nation wide and covers the regulations for granting deferments.

Question: Over 10,500 individuals have been appointed as local board members. Your justification states that over 9,000 board members have already been trained.

When will the remaining board members receive training?

Answer: Over 86% of the local board members were trained in FY 82. Make-up sessions will be held in FY 83.

Question: What are your plans for re-training?

Answer: Each local and appeal board will meet locally as a board in FY 83 to practice skills and be updated on regulations and procedures.

SELECTION OF BOARD MEMBERS

Question: Last year, you provided the Committee with a statistical summary of the selected board members, including demographic data.

Could you please update this information for the record?

SELECTIVE SERVICE SYSTEM
LOCAL BOARD MEMBER STATISTICS
FEBRUARY 1, 1983

	Population	Appointees	Applications
	10,392*	100%	28,438
Male	8,314	80.0%	79.8%
Female	2,078	20.0%	20.2%
Black	1,200	11.5%	9.1%
Hispanic	596	5.7%	3.9%
American Indian	117	1.1%	
Oriental	85	0.8%	

* There are 10,565 Board Member positions. The difference is due to attrition.

ADP COSTS

Question: Last year, you requested and received additional positions and funds for the editing and keying of registration forms. During those hearings, I asked if you had performed a cost/benefit analysis on contracting out for these services. Your response indicated that you could save $523,866 per year by performing the functions in-house and that your total in-house costs would be $2,048,116.

What is your current estimate for FY 83 and FY 84?

Please provide, for the record, cost data at the same level of detail as you used in your response last year?

SELECTIVE SERVICE SYSTEM
DATA MANAGEMENT CENTER
COMPARATIVE COST OF IN-HOUSE VS. CONTRACTING OUT

MARCH 7, 1983

IN-HOUSE

Direct Labor	$1,255,043
Fringe Benefits (26%)	326,311

Operations Overhead	134,500
Other Direct Costs	246,000
Imputed Cost of Capital	74,000
TOTAL IN-HOUSE COST	$2,035,854

CONTRACTING

Labor	$2,215,910
Material	458,000
Contract Administration (4%)	106,956
Government Furnished Property	24,000
Imputed Cost of Capital on GFP	12,000
Federal Income Tax	28,030
TOTAL CONTRACT COST	$2,844,896
Savings From In-House	$809,042
Minimum Savings Required by A-76 to justify In-House Performance	315,000

DATA BASE COSTS

Question: Your budget justification states that the workload needed to maintain the data base will continue to grow "until the data base reaches maximum size in 1986".

Please provide an estimate of the maintenance and updating costs in 1986 and future years.

Answer: The cost in 1986 and future years will be approximately $1,000,000 per year based on adding one year-of-birth group and verifying 2 year-of-birth groups each fiscal year.

GOALS FOR DATA TRANSACTIONS

Question: In FY 82, your employees in your automated data management center processed 285 transactions per day. Your goal for FY 84 is 400 transactions per day.

What are your ultimate objectives in terms of daily transactions per employee?

Answer: With the current technology and the current level of registrant activity, 400 transactions per day is a reasonable objective. In the future new technology may improve the rate.

WORKLOAD ESTIMATES

Question: On page 3 of your justification, you state that the average employee should be able to handle 400 data transactions per day by 1984. However, on page 11 your workload estimates show a daily processing standard for registrations of 300.

How do you explain this difference?

Answer: The 300 processing standard is for only one type of transaction. The overall average, including all tyes of transactions, is 400 per person.

QUALITY OF DATA BASE

Question: Last year, you requested $40,000 to fund an independent study of the quality of the information in your data base.

What is the status and findings of this study?

Answer: This study will be accomplished in-house to conserve funds and will start in May 1983.

REGISTRANT INFORMATION MANAGEMENT

Question: Last year you testified that the manual "Registrant Information Management System" should be printed in full in early FY 1983.

Do you have an exact date of final completion and the development costs?

Answer: Our target date is to go to press no later than March 31, 1983. The RIMS manual was developed in-house.

CLASSIFICATION INFORMATION BOOKLET

Question: Last year, you had 890,000 classification information booklets printed (at a cost of $59,117) and distributed to Post Offices throughout the United States. You stated that, hopefully, there would be no need for updating or reprinting this booklet.

Is this still true? If not, will it be updated or reprinted? At what cost to the Agency?

Answer: Although a few minor corrections could be made at this time, the Classification/Information Booklet is current and usable. Until significant changes are made in registrant processing policy and reflected in changed regulations, the booklets need not be revised.

Question: When distributing these booklets to the postal service last year, did your Agency incur any postage charges? If so, how much money was spent in mailing these booklets throughout the United States?

Answer: The Classification Information Booklet was never distributed to post offices throughout the United States. A few were distributed to SSS Region Offices; those designated for overseas distribution at time of mobilization are in storage in the National Headquarters warehouse. The remainder to be distributed to post offices at time of mobilization are prelabeled, packaged and ready for mailing. They are being stored in a secure warehouse at Great Lakes NTC, Chicago, Illinois.

REVISED REGISTRATION ACKNOWLEDGEMENT LETTER

Question: You are currently in the process of revising your acknowledgement letter.

Could you please provide a copy of this letter for the record?

Answer: The new acknowledgement letter is being reviewed at OMB. After final clearance, we will be glad to provide a copy for the record. The current letter is shown on page 36 of the budget justification.

FY 83 TEST EXERCISE

Question: Last year, you described your intent to conduct an interagency mobilization exercise in order to test the entire range of emergency induction plans and procedures. This test took place in October 1982.

What were the general results of this test — in particular, what problems were identified?

Answer: All objectives of the exercise were met. Selected local boards, area and alternative service offices and their assigned staff were activated. The induction and claims process and alternative service job assignment were simulated. Problem areas identified were:

- o space requirements and property transfer procedures need resolution;
- o recruiter augmentee training needs refining;
- o emphasis is needed in local board training on the paperwork required to support decisions actually made by the local boards.

Question: How often would you expect to conduct such exercises?

Answer: We expect to participate in each bi-annual interagency exercise. During the off years, Selective Service plans to conduct internal exercises or participate in DoD agency exercises such as Grand Payload held in the Spring of 1982 with the Army and MEPCOM.

Question: What part of the system was not tested and when do you intend to exercise these?

Answer: Parts of the system not yet tested are the interface between the area office terminals and the main computer, the appeal boards, the civilian review boards, and state headquarters' operations. These elements will be included in future exercises as they come on line.

Question: Last year, you budgeted $75,000 for such exercises.

How much have you spent to date in FY 83 and what is your current estimate for all of FY 83?

Senator Garn—Continued

Answer: We have spent approximately $12,000 to $15,000 in FY 83 for direct cost of the exercise which is now complete. The contract for evaluation of the exercise was not let in FY 83 due to shortage of funds.

SPEED OF MOBILIZATION

Question: Current DoD requirements call for the first inductee 13 days after a state of mobilization is declared. The requirements also call for 100,000 inductees by 30 days after mobilization and 650,000 inductees at the end of six months.

Last year, you testified that without the current peacetime registration system it would take an additional six to seven weeks to implement a mobilization and that without peacetime registration, you will be unable to begin delivery of inductees until 58 days after a state of mobilization is declared. This assumed that a mass registration would be held immediately following the declaration of a mobilization. Likewise, the 100,000 inductee goal would slip to approximately 77 days after mobilization, and the 650,000 figure would not be reached until about seven and one-half months after mobilization.

Based on your most recent experience in the October exercise, are these still your best estimates of the delay that would occur if draft registration was suspended?

Answer: Yes. Nothing from the October exercise indicated that Selective Service could begin delivering inductees earlier than M+58 without peacetime registration.

FY 83 PAY SUPPLEMENTAL

Question: You are asking for $564,000 for the FY 83 civilian and military pay raise supplemental.

What was your request to OMB?

Answer: The same, $564,000.

Question: What percent of the pay cost will you have to absorb?

Answer: None. OMB recognizes that the SSS's budget is too small to absorb any part of the pay raise.

ADDITIONAL GS-12 POSITIONS

Question: In FY 83, you have seven GS-12 positions. Your FY 84 budget request assumes ten GS-12 positions.

Why do you need an additional three GS-12? What will be their job assignments — Please relate your answer to the chart contained on page 11 of your budget justification?

Answer: Three GS-12 positions are among the 16 new positions requested for the compliance program and are shown as item 4 on the page 11 chart. Two positions are for computer programmers and one is for a computer analyst.

TRAVEL AND TRANSPORTATION OF PERSONS

Question: In FY 83, you have programmed $720,000 for travel and transportation of persons. For FY 84, you are requesting $950,000, or an increase of 32%.

Why do you need such a large increase — please be specific?

Answer: Of this increase, $105,000 is directly associated with the recruitment and training of the alternative service civilian review board members; $25,000 is for media tours for the public awareness program; $25,000 is for additional participation by our state directors in the registration effort; and the remaining $75,000 will help cover higher transportation fares and subsistence expenses in GSA designated high rate areas.

STANDARD LEVEL USER CHARGES

Question: Your FY 83 budget contains $829,000 for standard level user charges. This represents a 14% increase over the FY 82 level. One reason for the FY 83 increase was GSA's proposed increase lease charge for space. As you know, Section 108 of the Continuing Resolution (P.L. 97-377) provided that no agency shall pay GSA a higher rate per square foot than the FY 82 rate.

In calculating your FY 83 request for these user charges, how much was included for the expected GSA increase?

Are these funds, which are now in excess of your actual requirements, being used for other purposes — or will they be used to off-set your requirements for an FY 83 pay supplemental?

Answer: The FY 1983 estimate for the standard level user charge was based upon information from GSA and included a number of pending space changes: the move of the Denver region from Fitzsimmons Army Base to a commercial facility; the need to change the ratio of office space at the Alexandria Computer Center to accommodate the new personnel and equipment assigned there; and to convert storage space at the National Headquarters building to office and training space. Final lease negotiations and costs of these space changes are still pending. In the event there is a resultant cost saving, it must first be applied to primary mission activities, e.g., the compliance program which was not completely funded, and is not available to offset the pay supplemental.

RECEPTION AND REPRESENTATION FUNDS

Question: This year, you are requesting that we increase your reception and representation funds from $500 to $1,000.

Why are your requesting this increase?

Answer: A $500 increase in the limitation of official reception and representation expenses is requested due to the activities occasioned by the revitalization of the agency. Such activities include interaction with 11,000 volunteer local and appeal board members and their appointing state governors, private sector associations and employers engaged in the alternative service program, media representatives in connection with providing free public service announcements furthering the registration and compliance effort and many other interested citizens who voluntarily assist in the accomplishment of the agency's mission.

These funds are necessary and may be expended on behalf of the Selective Service System as an agency of the U.S. Government where representation in accordance with established social custom is required at official functions and/or in conjunction with meetings with the foregoing types of organizations.

Question: For what specific purposes were these funds used for in FY 82?

Answer: During FY 82, official reception and representation funds were used as follows:

Date	Occasion	Cost
Aug. 12, 1982	Refreshments following the presentation of the Agency's Distinguished Service Award	$18.30
Aug. 19, 1982	Refreshments following a briefing of foreign reserve officers	16.49
Sept. 7, 1982	Floral wreath at Memorial Day ceremonies in Puerto Rico	50.00
	Total	$84.79

Question: Have they been used to date in FY 83?

Answer: During FY 1983 official reception and representation funds have been used as follows:

Date	Occasion	Cost
Nov. 5, 1982	Luncheon meeting following SSS institutional briefing and discussion on interagency participation in SSS mission and emergency mobilization preparedness.	$ 39.78
Nov. 16, 1982	Dinner following the Director's address to the student body of the College of William and Mary.	75.00

Senator Garn—Continued

Dec. 3, 1982	Luncheon meeting following SSS institutional briefing and discussion on intergency participation in SSS mission and emergency mobilization preparedness	32.73
Dec. 13, 1982	Luncheon meeting following SSS institutional briefing and discussion on readiness posture and public awareness support from associated organizations.	82.80
Jan. 25, 1983	Luncheon meeting following SSS institutional briefing and discussion on interagency participation in SSS mission and emergency mobilization preparedness.	68.75
	Total	$299.06

ALL VOLUNTEER FORCE

Question: On January 25, 1983, you prepared, at our request, an analysis of DoD's recruitment goals and actual recruitment for FY82, including a breakdown by race. Please submit this material for the record.

I. Defense Department (DoD) Recruitment Goals and Statistics on Actual Attainments for FY82

Air Force	- 100%	of objective for FY82
Marine Corp	- 103%	" "
Navy	- 100%	" "
Army	- 104%	" "
DoD Totals	- 102%	of the active duty accession objective for FY82

II. Sociological Breakdowns for New Recruits during FY82

Racial Statistics		Minority Statistics
Army	- 71% White	- 24% Black, Non-Hispanic
	- 25% Black	- 4% Hispanic
	- 4% Other	- 3% Other
Navy	- 83% White	- 13% Black, Non-Hispanic
	- 13% Black	- 3% Hispanic
	- 4% Other	- 3% Other
Marine Corp	- 78% White	- 17% Black, Non-Hispanic
	- 18% Black	- 4% Hispanic
	- 5% Other	- 3% Other
Air Force	- 81% White	- 15% Black, Non-Hispanic
	- 16% Black	- 3% Hispanic
	- 4% Other	- 3% Other
DoD Totals	- 77% White	- 18% Black, Non-Hispanic
	- 19% Black	- 4% Hispanic
	- 4% Other	- 3% Other

III. Minority Population Breakdown for Active Duty Armed Forces in FY82 (Officer and Enlisted Personnel)

Army	- 29% Black, Non-Hispanic
	- 4% Hispanic
	- 4% Other
Navy	- 11% Black, Non-Hispanic
	- 3% Hispanic
	- 6% Other
Marine Corp	- 20% Black, Non-Hispanic
	- 5% Hispanic
	- .2% Other
Air Force	- 15% Black, Non-Hispanic
	- 4% Hispanic
	- 3% Other
DoD Totals	- 20% Black, Non-Hispanic
	- 4% Hispanic
	- 4% Other

IV. Analysis of Skills Test Results for FY82 Recruits

Please see attached DoD Press Release #530-82 (Appendix A). If the second paragraph does not answer to this issue, please advise on the further extent to which the Subcommittee needs data.

NEWS RELEASE—OFFICE OF ASSISTANT SECRETARY OF DEFENSE (PUBLIC AFFAIRS)

IMMEDIATE RELEASE December 9, 1982

No. 530-82
695-0192 (Info.)
697-3189 (Copies)

MILITARY MANPOWER STRENGTH ASSESSMENT, RECRUITING AND REENLISTMENT RESULTS ACTIVE FORCE -- FISCAL YEAR 1982 (OCTOBER 1981 THRU SEPTEMBER 1982)

Secretary of Defense Caspar W. Weinberger today announced that in terms of both recruiting and retention Fiscal Year 1982 was one of the best years since the beginning of the All-Volunteer Force (AVF), was better than most years under conscription, and even surpassed the excellent results of last year.

The Active Force strength as of September 30, 1982, was 2,108,600. This represents an increase of more than one percent over the end strength of a year ago. Each of the Military Services met or exceeded its overall recruiting objectives, enlisting nearly 301,600 men and about 36,600 women. In terms of quality, 86 percent of all new recruits or non-prior service (NPS) accessions had a high school diploma. This is the highest proportion ever achieved and compares favorably with the 75 percent of the youth population with high school diplomas. Additionally, 87 percent of the new recruits scored average or above on the enlistment test (AFQT Categories I thru III) with an overall average percentile score of 56, compared to the youth population average of 50. Thirty-seven percent were in the top two (above average) categories, just as high as the levels achieved under conscription.

Reenlistment rates were higher than they have been since 1964 resulting in improved levels of manpower readiness. The number of people in operating units, the number of career enlisted personnel, and the number of key, mid-level leadership and critical skill jobs that are filled by experienced personnel have increased dramatically.

Secretary Weinberger stated that the Military Services have continued to recruit and retain representative proportions of the population. Nearly 25 percent of the NPS enlisted accessions were Black, Hispanic, Native American, Asian or Pacific Islander, compared to 23 percent of the 18 to 24 year old youth. The geographical distribution of the FY 1982 accessions closely paralleled that of the by-state youth population.

Secretary Weinberger also announced that preliminary numbers show the Selected Reserve end strength was 963,700, an increase of almost 65,000 members, and that the National Guard and Reserves recruited 240,900 accessions (104 percent of objective) during the past fiscal year.

While pointing out the FY 1982 successes, Secretary Weinberger noted that the DoD is facing an increased challenge in FY 1983 due to desired strength increases, the declining youth population and expected improvement in the economy. He stated that with continued Congressional and public suport, the Department will be able to attract and retain the required numbers of qualified personnel. The Secretary emphasized that stability and continuity in manpower programs will be necessary to ensure continued success. Finally, the Secretary stated that he continues to believe that voluntary military service is the most equitable and desirable way to meet the military manpower requirements of the 1980's.

Fact sheets and statistical summaries attached.

FACT SHEET a/

MILITARY MANPOWER STRENGTH, RECRUITING AND REENLISTMENT

RESULTS FOR FY 1982

STRENGTHS

Active Force (Table 1)

- Total Active strength up 26,400 (+1.25%) over FY 1981 levels
- DoD met Congressionally authorized strength ceilings

Selected Reserve (Table 2)

- Overall strength up 64,900 (+7%) over FY 1981 levels
- Largest increase in Army Reserve (up 31,700 or +14%)

Table 1

ACTIVE DUTY MILITARY END STRENGTHS

(Thousands)

	September 30, 1982			September 1981
Service	Objective	Actual Strength 1/	Percent of Objective	Actual 1/
Army	780.3 2/	780.4	100	781.0
Navy	554.6	553.0	99+	540.2
Marine Corps	192.1	192.4	100	190.6
Air Force	580.8	582.8	100	570.3
DoD Total	2,107.8	2,108.6	100	2,082.2

1/ Includes reimbursable active duty military personnel, but excludes active duty military personnel paid from Civil Functions, Reserve and National Guard appropriations.

2/ Does not include additional Army end strength requested in FY 1982 Program Supplemental which initially was denied and then authorized on September 8, 1982.

a/ Numbers in all tables may not add due to rounding

Table 2

PRELIMINARY SELECTED RESERVE END STRENGTHS

(Thousands)

Component	FY 1981	FY 1982	Change from September 30, 1981
Army National Guard (ARNG)	389.0	407.6	+18.6
Army Reserve (USAR)	225.0	256.7	+31.7
Naval Reserve (USNR)	87.9	93.9	+ 6.0
Marine Corps Reserve (USMCR)	37.0	40.5	+ 3.4
Air National Guard (ANG)	98.3	100.7	+ 2.4
Air Force Reserve (USAFR)	61.6	64.4	+ 2.9
DoD Total	898.8	963.7	+64.9

RECRUITING RESULTS

Active Force (Table 3)

- Total accessions were 338,200 (102% of objective)
- All Services met or exceeded their objectives for each category
  - 305,700 total NPS accessions (102% of goal)
    - 271,100 NPS males (102% of goal)
    - 34,600 NPS females (101% of goal)
  - 32,500 prior service accessions (104% of goal)

Selected Reserve (Table 4)

- Overall Selected Reserve Components recruited 240,900 individuals in FY 1982 (102% of goal)
- Air Force and Marine Corps slowed down recruiting since improvements in retention allowed them to meet authorized strengths with lower accession levels

Table 3

ACTIVE DUTY ENLISTED ACCESSIONS BY SOURCE

Total Number (Thousands)

Service	Fiscal Year 1981					Fiscal Year 1982				
	Non-Prior Service			Prior	Total	Non-Prior Service			Prior	Tota
	Male	Female	Total	Service	Accessions	Male	Female	Total	Service	Access
Army	99.6	18.3	117.9	20.0	137.9	105.2	15.2	120.4	9.8	130.2
Navy	81.9	10.1	92.0	12.3	104.3	71.4	8.4	79.8	13.0	92.8
Marine Corps	38.6	2.3	40.9	3.0	44.0	35.7	2.3	38.1	3.6	41.6
Air Force	66.0	11.0	76.9	4.1	81.0	58.8	8.7	67.5	6.1	73.6
DoD Total	286.1	41.7	327.8	39.5	367.2	271.1	34.6	305.7	32.5	338.2

Recruiting Objectives (Thousands)

Service	Fiscal Year 1981					Fiscal Year 1982				
	Non-Prior Service			Prior	Total	Non-Prior Service			Prior	Total
	Male	Female	Total	Service	Accessions	Male	Female	Total	Service	Accessi
Army	98.5	18.3	116.8	20.0	136.8	100.5	15.1	115.6	9.5	125.1
Navy	81.5	10.1	91.6	10.3	101.9	71.4	8.4	79.8	13.0	92.8
Marine Corps	38.1	2.3	40.4	2.2	42.6	35.7	2.2	37.9	2.7	40.6
Air Force	66.0	11.0	76.9	4.1	81.0	58.8	8.7	67.5	6.1	73.6
DoD Total	284.1	41.6	325.7	36.6	362.3	266.4	34.4	300.8	31.3	332.1

Percent of Objective

Service	Fiscal Year 1981					Fiscal Year 1982				
	Non-Prior Service			Prior	Total	Non-Prior Service			Prior	Total
	Male	Female	Total	Service	Accessions	Male	Female	Total	Service	Accessio
Army	101	100	101	100	101	105	101	104	104	104
Navy	101	103	100	120	102	100	100	100	100	100
Marine Corps	101	103	101	138	103	100	105	101	132	103
Air Force	100	100	100	100	100	100	100	100	100	100
DoD Total	101	100	101	108	101	102	101	102	104	102

Table 4

PRELIMINARY SELECTED RESERVE ACCESSIONS BY SOURCE

(Thousands)

Component	NPS Objective	Actual	Percent of Objective
ARNG	55.0	51.6	94
USAR	34.0	34.8	102
USNR	2.5	2.1	83
USMCR	8.5	8.9	105
ANG	6.6	5.5	83
USAFR	3.2	3.1	95
DoD Total	109.8	106.0	97

Component	PS Objective	Actual	Percent of Objective
ARNG	41.0	44.0	107
USAR	33.7	40.1	119
USNR	24.6	28.9	118
USMCR	5.8	4.8	82
ANG	8.2	8.7	106
USAFR	8.7	8.4	96
DoD Total	122.0	134.9	111

Component	Total Objective	Actual	Percent of Objective
ARNG	96.0	95.6	99+
USAR	67.7	74.9	111
USNR	27.1	31.0	115
USMCR	14.3	13.7	96
ANG	14.9	14.3	96
USAFR	11.9	11.4	96
DoD Total	231.8	240.9	104

ACTIVE DUTY ENLISTED RECRUIT QUALITY (Tables 5 and 6)

FY 1982 was excellent for both quality indicators — educational attainment and scores on the Armed Forces Qualification Test (AFQT)

- Well above the Congressional quality constraints

- 86% of all NPS accessions had a high school diploma
  - highest level ever achieved by DoD (up from 81% in FY 1981)
  - compares to 75% of the general youth population
  - largest improvement in the Army (86% in FY 1982 vs. 80% in FY 1981)

- 87% of all NPS accessions scored average or above on AFQT (Categories I-III)
  - up from 82% in FY 1981
  - compares to 67% of the general youth population
  - largest improvement in Army (81% in FY 1982 vs. 69% in FY 1981)

Table 5

HIGH SCHOOL DIPLOMA GRADUATE NPS ACCESSIONS

Total Number (Thousands)

Service	Fiscal Year 1981			Fiscal Year 1982		
	Male	Female	Total	Male	Female	Total
Army	77.5	17.2	94.7	88.4	15.2	103.6
Navy	60.4	9.4	69.7	55.0	7.8	62.8
Marine Corps	30.4	2.3	32.7	30.0	2.3	32.4
Air Force	57.8	9.6	67.4	54.9	8.4	63.3
DoD Total	226.1	38.5	264.6	228.3	33.7	262.0

Percentage of NPS Accessions

Service	Fiscal Year 1981			Fiscal Year 1982		
	Male	Female	Total	Male	Female	Total
Army	78	94	80	84	100	86
Navy	74	93	76	77	93	79
Marine Corps	79	100	80	84	100	85
Air Force	88	88	88	93	96	94
DoD Total	79	92	81	84	97	86

Table 6

AFQT CATEGORY I THRU III NPS ACCESSIONS

Total Number (Thousands)

Service	Fiscal Year 1981			Fiscal Year 1982		
	Male	Female	Total	Male	Female	Total
Army	68.4	13.1	81.5	82.2	15.0	97.2
Navy	71.4	9.3	80.6	63.4	8.0	71.4
Marine Corps	33.3	2.3	35.6	32.5	2.3	34.8
Air Force	60.9	10.6	71.4	54.9	8.6	63.5
DoD Total	233.9	35.3	269.2	233.0	33.9	266.9

Percentage of NPS Accessions

Service	Fiscal Year 1981			Fiscal Year 1982		
	Male	Female	Total	Male	Female	Total
Army	69	72	69	78	99	81
Navy	87	92	88	89	95	89
Marine Corps	86	99+	87	91	100	91
Air Force	92	96	93	93	98	94
DoD Total	82	85	82	86	98	87

ACTIVE DUTY REENLISTMENTS (Table 7)

- Total reenlistments in FY 1982 were 224,500
  - -- increase of 17,600 reenlistments over FY 1981 number
  - -- increase occurred dispite lower number of individuals eligible to reenlist (12,000 fewer eligibles in FY 1982 than in FY 1981)
- Total reenlistment rate was 68% of eligibles
  - -- compares to 61% in FY 1981
- First-term reenlistment rate was 52% of eligibles
  - -- compares to 43% in FY 1981
- Career reenlistment rate was 82% of eligibles
  - -- compares to 76% in FY 1981

Table 7

ACTIVE DUTY REENLISTMENT RATES

Total Reenlistments (Thousands)

Service	Fiscal Year 1981 Eligibles	Fiscal Year 1981 Reenlist	Fiscal Year 1981 Percent	Fiscal Year 1982 Eligibles	Fiscal Year 1982 Reenlist	Fiscal Year 1982 Percent
Army	116.7	77.9	67	117.3	84.6	72
Navy	94.3	51.5	55	82.2	52.3	64
Marine Corps	36.8	15.9	43	32.9	16.1	49
Air Force	93.5	61.6	66	96.8	71.5	74
DoD Total	341.4	206.9	61	329.3	224.5	68

First-Term Reenlistments (Thousands)

Service	Fiscal Year 1981 Eligibles	Fiscal Year 1981 Reenlist	Fiscal Year 1981 Percent	Fiscal Year 1982 Eligibles	Fiscal Year 1982 Reenlist	Fiscal Year 1982 Percent
Army	38.8	21.3	55	36.3	21.0	58
Navy	55.1	23.0	42	43.7	21.9	50
Marine Corps	23.9	6.3	27	21.3	7.3	34
Air Force	43.9	18.8	43	47.6	27.1	57
DoD Total	161.6	69.4	43	148.9	77.3	52

Career Reenlistments (Thousands)

Service	Fiscal Year 1981 Eligibles	Fiscal Year 1981 Reenlist	Fiscal Year 1981 Percent	Fiscal Year 1982 Eligibles	Fiscal Year 1982 Reenlist	Fiscal Year 1982 Percent
Army	78.0	56.5	73	81.0	63.6	79
Navy	39.2	28.6	73	38.5	30.3	79
Marine Corps	13.0	9.6	74	11.6	8.9	76
Air Force	49.7	42.8	86	49.3	44.4	90
DoD Total	179.8	137.5	76	180.4	147.2	82

ACTIVE FORCE REPRESENTATION

Racial/Ethnic (Table 8)

- 28% of Active Force were minority (Black, Hispanic, Native American, Asian and Pacific Islander)
    - -- 10% of officers
    - -- 30% of enlisted
    - -- compares to 21% of the general population
- 25% of active enlisted NPS accessions were minority
    - -- compares to 23% of the 18 to 24 year-old youth population

Blacks (Black Race--includes black Hispanics) (Table 9)

- 20% of Active Force were black
    - -- 6% of officers
    - -- 22% of enlisted
    - -- compares to 12% of the general population
- 19% of active enlisted NPS accessions were black
    - -- no change in DoD percent from FY 1981
    - -- compares to 14% of the 18 to 24 year-old youth population

Table 8

MINORITY PARTICIPATION IN THE ACTIVE FORCE

Minorities as a Percentage of FY 1982 Active Duty End Strengths (Total Officers and Enlisted)

	Black (Non-Hispanic)	Hispanic	Other Minorities	Total Minorities
Army	29	4	4	37
Navy	11	3	6	20
Marine Corps	20	5	2	27
Air Force	15	4	3	22
DoD Total	20	4	4	28
Total U.S.	12	7	2	21

Minorities as a Percentage of FY 1982 Active Duty NPS Accessions

Service	Black (Non-Hispanic)	Hispanic	Other Minorities	Total Minorities
Army	24	4	3	32
Navy	13	3	3	19
Marine Corps	17	4	3	24
Air Force	15	3	3	21
DoD Total	18	4	3	25
18 to 24 year-old Youth Population	13	7	2	23

Table 9

RACIAL DISTRIBUTION OF ACTIVE ENLISTED NPS ACCESSIONS*

Total Number (Thousands)

Service	Fiscal Year 1981				Fiscal Year 1982			
	White	Black	Other	Total	White	Black	Other	Total
Army	80.3	32.2	5.3	117.9	85.5	29.6	5.3	120.4
Navy	77.1	11.5	3.4	92.0	66.2	10.7	2.8	79.8
Marine Corps	31.8	7.3	1.9	40.9	29.6	6.7	1.8	38.1
Air Force	63.4	10.8	2.6	76.9	54.9	10.5	2.4	67.5
DoD Total	252.7	61.8	13.3	327.8	236.0	57.4	12.3	305.7

[illegible]rcentage of NPS Accessions

Service	F[illegible] Year 1981				Fiscal Year 1982			
	White	[illegible]	Other	Total	White	Black	Other	Total
Army	68	27	5	100	71	25	4	100
Navy	84	13	4	100	83	13	4	100
Marine Corps	78	18	5	100	78	18	5	100
Air Force	82	14	3	100	81	16	4	100
DoD Total	77	19	4	100	77	19	4	100
18 to 24 year-old Youth Population	84	14	2	100	84	14	2	100

-END-

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*Racial definitions are consistent with Office of Management and Budget (OMB) guideli ("Other" represents Native American, Asian and Pacific Islanders. Persons of Spanish origin may be of any race and are not specifically defined in this table.)

QUESTIONS SUBMITTED BY SENATOR ABDNOR

REQUEST FOR REPLACEMENT ACKNOWLEDGEMENT LETTER

Question: Let us assume that many students are not going to have their Registration Acknowledgement Letters, either because they have misplaced it or it has not been received from the Selective Service. I know they may request a copy of the letter which supposedly will be furnished within two weeks. My question is twofold. How certain are you that the copy will be furnished within two weeks?

Answer: We feel confident that we can turn around a request for a replacement Acknowledgement Letter in two weeks. We know how many Acknowledgement Letters have been produced and delivered to registrants. We can estimate the number of young men who will need to attach a copy of their Acknowledgement Letter to their application for Title IV financial aid. We cannot, however, predict the precise percentage of young men who will have lost or misplaced their Acknowledgement Letters and will apply to Selective Service for a replacement. We expect the percentage to be manageable and see no problem in meeting the two week turn-around. If the percentage becomes unmanageable, immediate steps will be taken, to insure that the projected turn-around time is met. This might require additional funding for personnel to handle the increased workload.

REGISTRATION RECEIPT

Question: In any event, why shouldn't you provide for an immediate registration receipt given to the registrant at the post office, at least as an interim acknowledgement which may be used for a period of at least 90 days? Something like temporary tags for an automobile.

Answer: In early 1980, before registration was resumed, serious consideration was given to providing registrants a receipt at time of registration. It was decided that in lieu of issuing a receipt at the time of registration, an official Acknowledgement Letter would be issued to a registrant following the entry of his name into the Selective Service registrant data base. This would confirm that his Registration Form had been received and processed, provide the registrant with evidence of his registration, and further provide the registrant with an opportunity to verify the accuracy of his official record and to correct it, if necessary. Selective Service regulations were established to provide for this procedure and state that an individual's registration is not complete until his name has been entered into our registrant data base.

The subject of issuing a receipt at time of registration has been reopened several times. Each time it has been rejected because of added cost, the potential for its misuse, the need for secure handling and storage of the receipt forms, and because Selective Service would lose control of an essential verification element of the registration process.

Regardless of the pros and cons of a registration receipt issued at the time of registration, its effect on the Title IV student financial aid/registration compliance program is questionable. Over 9.5 million men, the majority of those seeking Title IV financial aid for the Fall 1983 semester, have already registered with Selective Service, and were not issued a receipt at that time. It is expected that future registrants applying for Title IV loans will be aware of the requirement to retain their Registration Acknowledgement Letters for inclusion with their loan requests.

REGISTRATION TIME FRAME

Question: As I am advised, Selective Service now allow draft registration only 30 days in advance of an individual's 18th birthday. Wouldn't it greatly facilitate things, especially for those students whose 18th birthday falls close to the beginning of the academic year, to be able to register - say - within 120 days?

Answer: We are currently studying the impact of permitting men to register 120 days in advance of their 18th birthday.

PUBLIC AWARENESS PROGRAMS

Question: What steps have you taken to alert students to all of these requirements?

Answer: Selective Service issued a press release when the proposed regulations were published in the Federal Register. The Director of Selective Service appeared at a joint press conference with the Secretary of Education, to announce the publication of the proposed regulations and procedures. A mailing kit composed of a poster, a letter from the Director of Selective Service about the registration requirement, and a sample letter for reproduction by institutions has been developed for use by students seeking replacement Acknowledgement Letters. These kits have been mailed to over 8,000 postsecondary educational institutions and to each state educational agency which administers student aid. We plan an informational mailing to over 25,000 high school counseling offices concerning the registration requirement and its impact on the Title IV student financial aid program. Representatives of Selective Service and Department of Education have met and will continue to meet with financial aid administrators of postsecondary institutions. Additional publicity measures are planned for the time the regulations and procedures become final.

Questions Submitted by Senator Huddleston

FY 84 INITIATIVES

Question: "On Page 2 of your justification, you indicate that with the fiscal year 1984 initiatives, you could begin a draft with only two days notice. What could you actually do by the third day?

Answer: The third day - actually " M + 2" in our lexicon - would see most, if not all, of the 2000-plus Local and Appeal Boards organize to commence claim adjudication approximately two weeks later. The 436 Area Offices, the 68 MEPS Liaison Offices and the 55 State Headquarters would have become operational. The six Region Headquarters - already operational in a standby mode - would have expanded their staffs and commenced full operations. These actions would have occurred as a result of the implementation of emergency mobilization plans involving all field personnel, compensated as well as uncompensated, and fully utilizing the 728 Reserve Forces Officers, 56 State Directors, 10,700 citizen volunteers and the 60 compensated employees currently staffing the six Regions. Additionally, the lottery drawing would have been held and the assignment of randomly-selected sequence numbers to potential inductees in the 19-20 year old group of registrants would have occurred. Preparations would have been made to commence the issuance of mailgram induction orders the following day (M+3), and a determination would be about to be made by the Director as to what the random sequence number cut-off for the first day's induction order issuance would be.

NEW POSITIONS

Question: On page 5 of your justification, you refer to the need for sixteen (16) new positions in the compliance program. What would the persons filling these positions actually do?

Answer: Three mailroom clerks: These clerks will print and mail letters; process letters returned by the post office; batch and number documents; and microfilm documents.

Four data entry operators: These [illegible]iduals will key registrations processed through the compliance progra[illegible] letters returned by the post office in order to generate new lett[illegible] indicate on the file that an address is invalid; and key special requ[illegible]nd other actions to the file.

Two research clerks: These clerk[illegible]l research special cases.

Three programmers/computer analysts: These individuals will maintain the current computer systems and design and make modifications necessary for new compliance initiatives.

Two clerks: These individuals will prepare coding sheets; special responses; and provide clerical assistance.

Two technical support staff: These persons will review cases, perform analysis; develop special responses; and prepare cases for attorney review.

Question: What would your total employment in the compliance program then be?

Answer: At the present time, there are no personnel assigned to the compliance program at the DMC. The Office of Operations, National Headquarters, presently has the equivalent of only one full-time person assigned to the program. However, the compliance workload is being partially accomplished by existing staff at the expense of other work priorities. The combined total of persons involved in the compliance program will be 17 if the additional staff requested is approved.

REGISTRATION COMPLIANCE

Question: What is the current compliance rate?

Answer: The overall compliance rate for years of birth 1960 through 1964 is 95.4%. For the induction liable groups, YOBs 1960 through 1963, the rate is 97.7%.

Question: Have you identified the principal areas and years of non-compliance? If so, what are they?

Answer: It appears that the lowest areas of compliance are the urban areas. Eight of the ten largest Standard Metropolitan Statistical Areas are registering at a rate below the national average.

There is only a variance of 3 percentage points in the compliance rates for the older year groups, 1960 through 1963. The year of birth with the lowest compliance rate is traditionally the year group which has just completed its registration year. Based on experience, we can anticipate that at least 10% more of those who should have registered last year will register during the next 12 months.

Question: Do you expect to be able to identify and contact all of the 274,000 who were not registered as of January 2, 1983?

Answer: The estimate of non-registrants should not be construed as an actual number of identifiable persons. It is the difference between the number of registrations received and the adjusted Census estimate of the potential registrant population. As of February 15, 1983, we had received 7,848,000 registrations for the 1960-1963 YOBs out of an estimated potential of 8,035,000. This leaves an estimate of 187,000 remaining to be registered as compared to the 274,000 on January 2, 1983. Since the late Fall when the active compliance program began, we have received 185,000 registrations from these year groups. In this program, we use the most comprehensive listings available to match against our registration file. We feel we have pursued all of the most attractive avenues to identify and locate nonregistrants. If we had more time, personnel, and money, other options such as private lists of names or additional government files could be explored.

COMPUTER MATCHING ACTIVITIES

Question: In your computer matching activities, what government records are used? Are you missing any major categories of non-registrants in this process?

Answer: In our matching activities we use government records from the Social Security Administration, the Internal Revenue Service, the Defense Logistics Agency, the United States Coast Guard, State Driver's Licensing Agencies, and the Selective Service System. All files, except the State Driver's Licensing Agency files, have nationwide coverage. In the individual States, we are continuing to work with the Driver's Licensing Agencies, as well as other state and local agencies, and private services to obtain the most complete mailing lists possible.

PROSECUTION OF NON-REGISTRANTS

Question: How many non-registrants are currently being prosecuted?

Answer: 14 indictments have been returned; 5 of these are yet to be tried.

Question: How is the decision to prosecute made?

Answer: The Selective Service System refers the names of all suspected violators, who appear to be in violation of the Military Selective Service Act of whom it has knowledge, to the Department of Justice. The decision of whether to prosecute a suspected violator is made by the Department of Justice.

LOCAL BOARD VACANCIES

Question: Have all vacancies on local boards been filled?

Answer: Yes, appointments have been made to all board member positions. However, due to an average 2-3% attrition rate per year, vacancies will continue to be filled as they occur.

LOCAL BOARD TRAINING

Question: What is involved in the 12 hour training session for local board members?

Answer: The 12 hour formal local board member training involves the following:

A. Prework Package: Sent approximately one month in advance of the 12 hour Formal Central Training session. It is to be completed prior to arrival and takes approximately three hours to complete. The packet includes:

1. History of SSS
2. Philosophy of Conscription and Deferment
3. Classification Information Booklet
4. General Description of the Claim Process
5. Local Boards - Old and New System
6. SSS Field Structure and Personnel
7. The Role of Alternative Service
8. Resources Available for Support of LBMs
9. Board Member Turnover
10. Public Affairs Guidance
11. Key Terminology
12. Expense Reimbursement
13. Test - 15 questions

B. 12 Hour Formal Central Training

1. A maximum of 8 local boards (40 members) was the recommended attendance at any session.

2. Central Training involves
    a. Lectures to introduce subjects and summarize information
    b. Discussions - both as individual boards and as a total group
    c. Video Tape Vignettes - "A night with the Board," a series of video tape presentations depicting a typical board meeting from assembly to closing.
    d. Role Plays - Trainee dramatization of processing claims.

C. Active Participation by Trainees

1. Question and answer sessions
2. Discussions of each video tape vignette
3. Role play - act as local board member, compensated employee, registrant, or witness discussions after each role play.

D. Receipt of Board Member Handbook

1. Training materials section - to be used for retaining handouts.

2. Reference section -

    a. SSS Procedures
    b. Board Guidelines
    c. SSS Organization
    d. Index

ADDITIONAL ENHANCEMENTS

Question: On page 5 of your justification, you say "additional enhancements to the agency's operations could be undertaken for optimum mission performance, but a government-wide economy effort precludes large increases." What enhancements are you foregoing for budgetary reasons?

Answer: The additional enhancements referred to in the budget justification would allow Selective Service to achieve the highest level of preparedness in the event of a mobilization. However, lack of these enhancements would not affect the primary mission of the agency, registration, or the critical programs of compliance, public awareness and verification. The additional enhancements included funds for: formal refresher training classes for the local board member program; mailing verification letters to two additional year-of-birth groups; increased participation of State Directors; internal audit and review services; additional Reserve Forces Officers; ADP personnel, augmentation of the Regional and National Headquarters staff and some administrative improvements.

PUBLIC AWARENESS

Question: How much have you spent on the public awareness information program in each of the last three fiscal years?

The following sums were obligated: FY80 - $401,000; FY81-$330,000; FY82-$524,000.

ALTERNATIVE SERVICE

Question: How will the Civilian Appellate Review Boards in the Alternative Service Program be chosen?

Answer: The 1982 Supplemental Appropriations Act for the Agency mandated the establishment of Civilian Review Boards for the Alternative Service Program. In its accompanying report the House Appropriations Committee stated that it "expects that such boards will be comprised of individuals selected by the Director to represent a broad spectrum of the civilian population (similiar to local draft boards)."

In the recruitment effort for local board members Selective Service identified approximately 43,000 citizens willing to serve. As only 10,500 citizen volunteers were needed to fill local board positions, a considerable number of individuals will be eligible to serve on Civilian Review Boards. Additionally, since the local board recruitment effort was successful in recruiting a representative segment of the communities, the pool represents an equitable spectrum of the civilian population.

We are currently planning to contact members of this pool to obtain candidates for Civilian Review Boards. While we have not yet developed the specific selection criteria, candidates will be required to understand the law and be willing to apply it fairly and uniformly.

Question: How will the boards be structured?

Answer: In the event of a mobilization, we plan to establish 48 Alternative Service Offices across the Nation. They will be located near concentrations of the registrant population. Each Alternative Service Office will have a Civilian Review Board of at least three members appointed by the Director of Selective Service.

Question: What will be involved in the training program?

Answer: We have not yet developed the details of the training program. However, Civilian Review Board members will be required to understand the basis upon which a registrant could be classified as a conscientious objector. They will also be required to understand the types of jobs appropriate for Alternative Service.

COMPLIANCE PROGRAM

Question: On page 10 of your justification, you say, "it is vital that Selective Service complete its "catch-up" compliance program activities in 1983 and move to a steady state operation in fiscal year 1984." Do you expect to do this?

Answer: Yes, the Selective Service fully expects to accomplish such activities during 1983 and maintain a sustained operation in 1984.

AREA OFFICE TERMINAL ACCESS

Question: On page 14 of your justification, you note that in 1983 communications will also be in place to 566 terminals in 436 area offices.

Does this mean the area offices will be able to access the information on all registrants and non-registrants?

Answer: Selective registrant information will be accessable by area offices. Nonregistrant information, however, will not be available to them.

INDUCTION ORDER UNDER RIMS

Question: On Page 15 of your justification, you indicate that "RIMS will automatically select registrants for induction...." How will this be done?

Answer: The initial issuance of mailgram induction orders will go to registrants with the lowest random sequence numbers. Because our estimate of the anticipated shortfall at the very outset of inductions is understandably cautious, we expect to have to start up with about a 5-to-1 ratio of "Ordered" to "Inducted". This means that about 35,000 men from the 19-20 year old group will be issued orders, the equivalent of about seven random sequence numbers (approximately 5,000 men per number). This is expected to yield approximately 6,300 inductions ten days later. Sometime thereafter, the rising number of random sequence numbers required to maintain that daily level of inductions will diminish due to a number of variable factors including: (1) increasing incidence of volunteering for induction by registrants not in the priority year group; (2) termination of postponements resulting in large numbers of men returning to the available pool; (3) completion of claims and appeal processing resulting in the return of large numbers of registrants to the "available pool"; and (4) resolution of temporary acceptability problems by the MEPS through reexamination or reevaluation of registrants.

RIMS is designed to automatically sort through the priority year group registrants, in ascending random sequence order, daily; sifting out those men for reordering who were bypassed. Thus, RIMS will continually monitor the year group from which inductees are being drawn.

ALTERNATIVE SERVICE PROGRAM

Question: How are you identifying "employer participants" for the Alternative Service Program? What success are you having?

Answer: Our initial approach for identifying potential employers is to contact national entities such as the U.S. Forest Service, the Department of Housing & Urban Development, the American Hospital Association, and Goodwill Industries of America. These organizations have agreed to help us contact local units such as forest ranger stations, grantees, or affiliated members of the nation-wide organization. With the endorsement of the national organization, we then invite the local unit to add its name to the employer roster. If we fail to reach a desired participation rate among the various geographic and types of jobs, we plan to ask Selective Service Reserve Forces Officers to target such areas as a more direct recruitment approach.

To date we have been quite successful. We have received the cooperation of a number of Federal agencies and national organizations. Through sample surveys we have estimated that we can identify sufficient alternative service jobs to enable us to reach our nationwide target. It will be several months before we know if we will also achieve the desired geographical distribution.

COST PER REGISTRANT TRANSACTION

Question: How did you derive the $2.04 cost per registrant transaction figure, i.e., what costs were included in the figure? Were the same costs included in the 1974 figure?

Answer: The cost was derived by dividing the total Selective Service System budget request for fiscal year 1984, $25,499,000, by the number of registrant transactions that will be processed during the year. All operating costs are included. The 1974 figure was derived in the same manner except that the operating costs were adjusted for inflation.

OTHER SERVICES

Question: Please provide a breakdown of the items included in the "other services" request of $4,565,000 for the fiscal 1984.

Answer: The term "other services" is standard OMB nomenclature for miscellaneous contractual services that are not included in other specific budgetary categories. Examples of the types of routine expenses contained in "other services" are: reimbursement to the post office for registration services; reimbursement to MEPCOM for the Selective Service System's share of the Joint Computer Center; contractual services for the compliance and public awareness programs; ADP services; region and DMC support costs; equipment maintenance; employee training services; security services; alterations, maintenance and repair of space; and other miscellaneous.

OFFICIAL RECEPTION AND REPRESENTATION EXPENSES

Question: Please indicate the date, occasion and cost of each event financed from official reception and representation expenses in fiscal 1983.

Why are you requesting a doubling of this amount in fiscal 1984?

Answer: Reception and representation funds were disbursed as follows:

Date	Occasion	Cost
Nov. 5, 1982	Luncheon meeting following institutional briefing and discussion on intergency participation in SSS mission and emergency mobilization preparedness.	$39.78
Nov. 16, 1982	Dinner following the Director's address to the student body of the College of William and Mary.	75.00
Dec. 6, 1982	Luncheon meeting following SSS institutional briefing and discussion on interagency participation in SSS mission and emergency mobilization preparedness.	32.73

Dec. 13, 1982	Luncheon meeting following SSS institutional briefing and discussion on readiness posture and public awareness support from associated organizations.	82.80
Jan. 25, 1983	Luncheon meeting following SSS institutional briefing and discussion on interagency participation in SSS mission and emergency mobilization preparedness.	68.75
	Total	$299.06

A $500 increase in the limitation of official reception and representation expenses is requested due to the activities occasioned by the revitalization of the agency. Such activities include interaction with 11,000 volunteer local and appeal board members and their appointing state governors, private sector associations and employers engaged in the Alternative Service Program, media representatives in connection with providing free public service announcements furthering the registration and compliance effort and many other interested citizens who voluntarily assist in the accomplishment of the agency's mission.

These funds are necessary and may be expended on behalf of the Selective Service System as an agency of the U.S. Government where representation in accordance with established social custom is required at official functions and/or in conjunction with meetings with the foregoing types of organizations, individuals or groups.

TRAVEL AND TRANSPORTATION OF PERSONS

Question: You have requested a sizable increase in "travel and transportation of persons" in fiscal 1984. Please explain.

Answer: The increase in travel and transportation of persons is associated with the recruitment and training of the alternative service civilian review board members; media tours for the public awareness program; additional participation by State Directors in the registration effort; and higher transportation fares and subsistence expenses in GSA designated high rate areas.

TITLE IV LOANS

Question: I understand that there are concerns in the academic community about the processing difficulties that implementation of the so-called Solomon Amendment may cause in the delivery of student financial aid. Have you looked into this matter?

Answer: Selective Service representatives, along with representatives of the Department of Education, individually and collectively have discussed this subject with post-secondary institutional representatives—primarily the financial aid administrators of these institutions who are responsible for the processing of applications for Title IV student aid. Prior to the initial publication of the proposed Department of Education regulations, the Department's representatives coordinated their proposed procedures with ten national associations including the American Council on Education and the National Association of Financial Aid Administrators, as well as several state financial aid associations including those from the states of California, Ohio and Texas.

We believe the additional processing required on the part of the institutions by this program, any additional costs, as well as processing difficulties which might arise as a result of the proposed procedures, will be minimal.

IMMEDIATE REGISTRATION RECEIPT

Question: Have you considered utilizing an immediate registration receipt given to the registrant at the Post Office?

Answer: In early 1980, before registration was resumed, serious consideration was given to providing registrants a receipt at time of registration. It was decided that in lieu of issuing a receipt at the time of registration, an official Acknowledgement Letter would be issued to a registrant following the entry of his name into the Selective Service registrant data base. This would confirm that his Registration Form had been received and processed, provide the registrant with evidence of his registration, and further provide the registrant with an opportunity to verify the accuracy of his offical record and to correct it, if necessary. Selective Service regulations were established to provide for this procedure and state that an individual's registration is not complete until his name has been entered into our registrant data base.

The subject of issuing a receipt at time of registration has been reopened several times. Each time it has been rejected because of added cost, the potential for its misuse, the need for secure handling and storage of the receipt forms, and because Selective Service would lose control of an essential verification element of the registration process.

Question: How long does it currently take for a registrant to receive a verification letter?

Answer: The average turn-around time from the day of registration until an Acknowledgement Letter is received by a registrant is approximately 40 days.

What is the cost of providing an Acknowledgement Letter?

Answer: The costs of producing an Acknowledgement Letter are approximately $0.23 per registration. This cost includes handling, paper, printing and postage.

Question: What additional costs, if any, would be involved in providing a registration receipt at the Post Office?

Answer: Depending upon the procedures involved and format used, the additional cost could vary from $.038 to $.31 per registration.

Question: Would a duplicate form as a receipt involve additional costs?

Answer: Yes, of the several methods considered and depending upon the procedures involved and format used, the additional cost could vary from $.038 to $.31 per registration. Additionally, the printing and distribution of more registration forms would become necessary.

Senator Huddleston—Continued

REGISTRATION TIME FRAME

Question: Why can an individual only register 30 days in advance of their 18th birthday?

Answer: The Presidential Proclamation of July 2, 1980 entitled "Registration Under the Military Selective Service Act", Part 1-105 reads: "Persons born on or after January 1, 1963, shall present themselves for registration on the day they attain the 19th anniversary of their birth or on any day within the period of 60 days beginning 30 days before such date;..."

Question: Couldn't you allow registration 120 days in advance to allow for processing time?

Answer: We are currently studying the impact of permitting men to register 120 days in advance of their 18th birthday.

REPLACEMENT REGISTRATION ACKNOWLEDGEMENT LETTER

Question: What procedures are available for an individual who has registered to receive an Acknowledgement Letter if the original is lost?

Answer: A registrant may write to Selective Service requesting a replacement Acknowledgement Letter. Sample request letters have been provided to about 8,000 post-secondary educational institution financial aid offices and approximately 25,000 high school counselors.

Question: How long does this take?

Answer: Turn-around time in providing registrants with replacement Acknowledgement Letters is estimated at two weeks.

Question: How costly would it be to send duplicate registration Acknowledgement Letters to all registrants?

Answer: The cost of postage, printing, computer processing and handling alone for the mailing of a replacement Acknowledgement Letter to each of over 9.5 million registrant could exceed $5 million.

Question: Why couldn't registrants who need quick acknowledgement re-register?

Answer: Re-registration would dilute and, thus, invalidate the Selective Service registant data base. An Acknowledgement Letter based on registration or re-registration has a 40 day turn-around time, while a replacement Acknowledgement Letter will be issued within 14 days. Additionally, we would have problems of discrepancies on minor points in sorting out duplicate registrations. The integrity of our data base would suffer.

Question: Couldn't your system sort out those individuals particularly if they wrote re-registration on the form?

Answer: Even if a special sort was performed, assuming that a specially marked Registration Form was arranged, a replacement Acknowledgement Letter could be generated and returned to the registrant more quickly. Because of time constraints in implementing the Title IV financial aid/registration compliance program, the printing and distribution of a "specially marked" Registration Form to over 34,000 post offices and 250 Embassy and Consular offices overseas, and the time needed to disseminate information and instructions to postal and consular employees engaged in registration duties, not to mention the additional expenses, makes this alternative infeasible.

ALTERNATIVE SERVICE PROGRAM

Question: If the draft were reinstituted, what portion of those registered would you expect to seek alternative service? How many alternative service slots do you intend to try to identify? In government? In the private sector? What kind of caseload are your appeals boards being designed to handle?

Answer: This reply to the first question is based on the assumption that the intended question is: What proportion of those called for induction would apply for CO status and if they receive it, then be required to perform alternative service?

It is difficult to estimate numbers of CO claimants. Our history indicates that the nature of the conflict and perception of it, among the young adult population, are the primary determinants of the number of young men applying for CO status. Another factor is the expansion of the eligibility criteria for CO status to include not only those whose conscientious objection is based on religious beliefs, but also those whose objection is based on moral or ethical beliefs. This decision was handed down by the Supreme Court late in the Viet Nam War as inductions were rapidly decreasing; thus, there is insufficient data on which to base a projection of moral and ethical objectors. The available historical data indicates that approximately two/thirds of those who claim CO status actually receive the classification.

At minimum, Selective Service will expect the members of the historic peace churches, in particular, the Mennonites, the Brethren and the Quakers, to claim CO status. The membership of these churches comprises approximately two/tenths of one percent of the U.S. population. Thus, we would anticipate that approximately the same proportion would also apply for CO status under any conditions.

We are trying to identify enough alternative service jobs to be sure that we can place all the incoming Alternative Service Workers within the first six months after mobilization. We estimate that for every incoming CO who has to be placed there should be approximately three or four openings available. We are planning to handle not more than 12,000—and probably many fewer than that—incoming ASWs in the first six months. Thus we are attempting to identify some 48,000 positions for potential alternative service placement.

We do not have any set targets for government and private sector, rather we have targets for geographical distribution and functional distribution. We are identifying potential employers in each of the 50 states and in such areas as health work, educational work, community and social services.

It should also be noted that a number of incoming ASWs will have identified their own positions in alternative service. To the extent that Selective Service finds such positions acceptable, we will not have to find openings for such persons.

We anticipate a very small caseload for the appeals boards for the reasons that are implicit from the above comments. A broader array of alternative service jobs should prevent the placement of ASWs in positions where either the employer or the ASW will be dissatisfied. Also, the opportunity that COs would have to identify their own positions should tend to reduce the number of appeals. Finally, the nature of the appeals process, which requires the ASW to bring the problem to the attention of the local Alternative Service Office before making a formal appeal to the Civilian Review Board, will contribute to a very light caseload.

QUESTIONS SUBMITTED BY SENATOR SASSER

PROCESSING DIFFICULTIES — STUDENT FINANCIAL AID

Question: Are you aware of the processing difficulties your registration system will cause in the delivery of student financial aid?

Answer: It is believed that the additional processing required of post-secondary institutions in Title IV student aid registration compliance program will be minimal. The procedures require only one additional signature on the Statement of Educational Purpose/Registration Compliance which already requires a student's signature attesting to the fact that funds advanced will be spent for educational expenses. Those exempt from the registration requirement, such as females, will be required only to mark the appropriate box on the form in addition to signing it. Men of registration age certify that they are registered with Selective Service and produce necessary evidence of such. This places the burden of proof of registration upon the individual applicant, rather than on the institution.

IMMEDIATE REGISTRATION RECEIPT

Question: Have you considered an immediate registration receipt given to the registrant at the post office? Why have you not instituted such a procedure?

Answer: In early 1980, before registration was resumed, serious consideration was given to providing registrants a receipt at time of registration. It was decided that in lieu of issuing a receipt at the time of registration, an official Acknowledgement Letter would be issued to a registrant following the entry of his name into the Selective Service registrant data base. This would confirm that his Registration Form had been received and processed, provide the registrant with evidence of his registration, and further provide the registrant with an opportunity to verify the accuracy of his offical record and to correct it, if necessary. Selective Service regulations were established to provide for this procedure and state that an individual's registration is not complete until his name has been entered into our registrant data base.

The subject of issuing a receipt at time of registration has been reopened several times. Each time it has been rejected because of added cost, the potential for its misuse, the need for secure handling and storage of the receipt forms, and because Selective Service would lose control of an essential verification element of the registration process.

Question: How long does it take for a registrant to receive an Acknowledgement Letter?

Answer: The average turn-around time from the day of registration until an Acknowledgement Letter is received by a registrant is approximately 40 days.

Question: What additional costs, if any, are involved?

Answer: The costs of producing an Acknowledgement Letter are approximately $0.23 per registration. This cost includes handling, paper, printing and postage.

Question: Would a duplicate form as a receipt involve additional costs?

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SUBCOMMITTEE RECESS

Senator GARN. The subcommitee will stand in recess until Thursday, February 24, 1983, when we will hear testimony from the Office of Consumer Affairs, Consumer Information Center, and Consumer Product Safety Commission.

[Whereupon, at 11 a.m. Thursday, February 17, the subcommittee was recessed to reconvene at 10 a.m. Thursday, February 24.]

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT-INDEPENDENT AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

THURSDAY, FEBRUARY 24, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10 a.m. in room SD–124, Dirksen Senate Office Building, Hon. Jake Garn (chairman) presiding.

Present: Senator Garn.

OFFICE OF CONSUMER AFFAIRS

STATEMENT OF VIRGINIA H. KNAUER, SPECIAL ASSISTANT TO THE PRESIDENT, AND DIRECTOR, U.S. OFFICE OF CONSUMER AFFAIRS

ACCOMPANIED BY:

ANTHONY L. ITTEILAG, DEPUTY ASSISTANT SECRETARY, BUDGET, DEPARTMENT OF HEALTH AND HUMAN SERVICES

ROBERT F. STEEVES, ACTING DEPUTY DIRECTOR, U.S. OFFICE OF CONSUMER AFFAIRS

FRANK R. MARVIN, DIRECTOR, MANAGEMENT AND CONSUMER COMPLAINTS, U.S. OFFICE OF CONSUMER AFFAIRS

INTRODUCTORY REMARKS

Senator GARN. The subcommittee will come to order.

We always start our hearings on time. However, we are a little bit early this morning and since everyone is here we might as well begin.

Mrs. Knauer, it is certainly a pleasure to have you here before the subcommittee again this morning. Since we do have three agencies appearing before the subcommittee today, I would ask each of our witnesses to summarize their opening statements to, hopefully, try and keep them within 10 minutes. But, of course, we will include your full statements in the record.

The U.S. Office of Consumer Affairs was created by President Nixon in 1971 to advocate consumer needs and viewpoints in the Federal Government, to foster consideration of consumer interests by other Government agencies, and to seek information and educate individual citizens to deal more effectively in the marketplace and to learn of opportunities to participate in Government decisionmaking. The Director of the Office also traditionally serves as Special Assistant to the President.

The staff of OCA also provides assistance to the Consumer Affairs Council. The functions of the Council are to provide leadership and coordination to insure that agencies' consumer programs are implemented effectively, to promote efficiency and interagency cooperation, and to eliminate duplication and inconsistency among agency consumer programs.

The budget proposal before us for the Office totals 40 full-time permanent positions and $2,011,000, an increase of $64,000 over your current fiscal year 1983 level.

I would be happy to have you go ahead with your statement at this time.

Mrs. KNAUER. Thank you, Mr. Chairman.

May I present my Deputy, Robert Steeves, Mr. Anthony Itteilag from the Department, and Mr. Frank Marvin, the USOCA budget expert.

SUMMARY OF OPENING STATEMENT

In the interest of time, as you suggested, Mr. Chairman, I will just capsulize my formal statement, leaving the full text for inclusion in the record.

Our formal budget justification statement provides extensive detailed information on USOCA activities, staffing, and funding levels by program objective. However, in introducing our budget, I would like to bring to your attention some of our more significant recent accomplishments and plans for the coming year.

With regard to fostering a consumer perspective, in the past year we held 167 meetings with constituency groups to discuss consumer-related issues. We weighed, distilled, and appropriately recognized the views of these groups in review of legislative and regulatory changes, in policy formulation, and in our meetings with concerned principals in Federal agencies engaged in the implementation of these administration-directed changes.

We also sponsored national conferences, such as those focusing on energy needs of the elderly. The fruits of our efforts can be seen, for example, in the growing voluntary efforts to help low-income elderly citizens pay their utility bills.

USOCA is fostering programs where representatives of charities, such as the Salvation Army and Red Cross, work with energy suppliers to set up a fund for collections from energy purchasers, encourage these contributions, and identify those in need of energy financial assistance.

Other forums at which consumer views were presented include semiannual meetings of the Committee on Consumer Policy of OECD where I personally headed the U.S. delegation, when I served in the U.S. delegation to the World Assembly on Aging, and when, at the request of the U.S. Information Agency, I spoke before business, consumer, and government leaders in Japan to promote understanding of the U.S. views on world trade and, of course, the desirability of importing more U.S. agricultural products such as tobacco, beef, and citrus products.

BUILDING CONSUMER CONFIDENCE

USOCA is meeting the challenge of building consumer confidence in three ways. First, we are encouraging the improvement in the quality of American-made goods. In our newsletter and in speeches, such as a speech before the American Society for Quality Control and to other business and consumer groups, we have stressed the views of many economists that consumer dissatisfaction with product quality has been the root of many of today's economic problems. Quality, however, is improving, but changing the consumer perception and improving confidence in large measure depends upon how well firms respond to inquiries and how well they resolve problems.

This is why we print and distribute our Consumer's Resource Handbook, a what to do, where to go manual for resolving consumer complaints, and also why we sponsor consumer action panels to help resolve conflicts when initial steps fail. It is also the reason why the U.S. Office of Consumer Affairs, along with the American Bar Association and the National Association of Consumer Affairs Administrators, cosponsored the conference in Washington on January 17 and 18, 1983, on alternative forms of consumer dispute resolution.

In her address to the conference participants, Justice Sandra Day O'Connor noted that the overloaded judicial system should be used as a court of last resort in resolving relatively minor civil disputes. Therefore, mediation and arbitration should be used with increasing frequency to avoid the cost and delays often entailed in litigation.

THIRD CONGRESSIONAL CONSTITUENT RESOURCE EXHIBITION

While on the subject of problem solving, I am indeed pleased to mention the most successful Third Congressional Constituent Resource Exhibition which was held last week, on Wednesday, in the Caucus Room of the Cannon House Office Building. The expo attracted some 1,500 congressional staff who came to meet with the representatives of 39 Federal agencies to learn more about the agency programs and functions, as well as to receive related booklets and pamphlets so that their constituent complaints and inquiries can be handled more efficiently and more expeditiously.

We also furnished the attendees a notebook of appropriate sources of help in the Federal Government titled, "Consumer Liaison Handbook." This is a listing of the people to call for information on specific programs.

Second, we are coordinating National Consumers Week, scheduled for April 24 through April 30, 1983, by Presidential proclamation. The focus is on consumer and economic education. Our slogan for the week is "Consumers Supply Demand"; in other words, the demand for goods and services and also a demand for consumer economic education and information.

With regard to finding employment, we are especially pleased with USOCA's efforts in the past years in encouraging and guiding industry and concerned groups to provide employment to the handicapped through such outstanding programs as Projects With Industry, which embraces the efforts of thousands of corporations.

In summary, Mr. Chairman, the U.S. Office of Consumer Affairs staff has implemented programs of information, education, and representation of which this administration is indeed proud.

I would be very happy to answer any questions you may have.

Senator GARN. Thank you very much.

[The statement follows:]

Statement of Virginia H. Knauer

Mr. Chairman and members of the Committee, we are here today to report on the achievements of the United States Office of Consumer Affairs in the past year, and to summarize our current activities and major program initiatives for fiscal 1984. In total, program activity and staffing levels for USOCA in fiscal 1984 are the same as in fiscal 1983. Funds requested total $2,011,000, including an increase of $64,000 needed to cover part of the additional charges by GSA for existing office space rental.

Our formal budget justification statement provides extensive detailed information on USOCA activities, staffing and funding levels by program objective. However, in introducing our budget, I would like to bring to your attention some of our more significant recent accomplishments and plans for the coming year that I believe justify appropriation and expenditure of public funds.

The first page of our budget justification spells out the purpose of USOCA: To present a consumer perspective in the Federal government; to encourage consideration of the consumer viewpoint by other government agencies, voluntary groups and business; and to inform and educate individual citizens to deal more effectively in the marketplace.

With regard to fostering a consumer perspective, in the past year we held 167 meetings with constituency groups to discuss consumer related issues. We weighed, distilled and appropriately recognized the views of these groups in review of legislative and regulatory changes and in our meetings with concerned principals in Federal agencies engaged in the implementation of Administration-directed changes. We also sponsored national conferences, such as those focusing on energy needs of the elderly. The fruits of our efforts can be seen, for example, in the growing voluntary efforts to help low-income elderly citizens pay their utility bills. USOCA is fostering programs where representatives of charities, such as the Salvation Army and Red Cross, work with energy suppliers to set up a fund, encourage contributions and identify those in need of energy financial assistance. Other forums at which consumer views were presented include semi-annual meetings of the Committee on Consumer Policy of OECD at which I personally headed the U.S. Delegation, when I served in the U.S. Delegation to the World Assembly on Aging, and when, at the request of the U.S. Information Agency, I spoke before business, consumer and media leaders in Japan to promote understanding of U.S. views on world trade.

Among the other significant areas of concern that we have been addressing is the education of the citizen in the marketplace. We are pleased that inflation, the number one problem of 1981, has been sharply reduced. We are also pleased that interest rates are coming down, but it is disconcerting that the demand for goods and services, a principal factor in unemployment, has not increased. Consumer buying accounts for about two-thirds of all economic activity. Consumer demand has been below expectation -- when that demand jumps and remains high, we will be on our way out of the current economic slump.

USOCA is meeting the challenge of building consumer confidence in three ways: First, we are encouraging the improvement in quality of American-made goods. In our newsletter and in speeches, such as a speech before the American Society for Quality Control and to other business and consumer groups, we have stressed the views of many economists that consumer dissatisfaction with product quality has been the root of many of today's economic problems. Quality is improving, but changing the consumer perception and improving confidence in large measure depends on how well firms respond to inquiries, and how well they resolve problems. That is why we print and distribute our Consumer's Resource Handbook -- a "what to do -- where to go" manual for resolving consumer problems, and why we sponsor Consumer Action Panels to help resolve conflicts when initial steps fail. It is also the reason the

U.S. Office of Consumer Affairs, along with the American Bar Association and the National Association of Consumer Affairs Administrators, sponsored the conference in Washington on January 17 and 18 on Alternative Forms of Consumer Dispute Resolution. In her address to the Conference participants, Justice Sandra Day O'Connor noted that the overburdened judicial system should be used as a "court of last resort" in resolving relatively minor civil disputes. Mediation and arbitration should be used with increasing frequency to avoid the cost and delays often entailed in litigation. While on the subject of problem solving, I am indeed pleased to mention the most successful Third Congressional Constituent Resource Exposition which was held last week, on Wednesday, February 16, in the Caucus Room of the Cannon House Office Building. The expo attracted some 1,500 Hill staffers who came to meet with representatives of 39 Federal agencies to learn more about agency programs, functions and responsibilities so that constituent complaints and inquiries can be handled more expeditiously.

Second, we are coordinating National Consumers Week -- scheduled for April 24 thru April 30 -- which focuses on consumer and economic education. Our slogan for the Week is "Consumers Supply Demand" -- a demand for goods and services and also a demand for consumer economic education and information.

Third, we are acutely aware of the many problems of the unemployed consumer and have initiated a number of efforts to help alleviate their problems. Specifically, we are working with the Labor Department, the Public Broadcasting System, Henry Ford Community College, the National Alliance for Business, and the National Association of Junior and Senior Colleges to develop a national media-educational program to show the unemployed how to cope with a wide range of problems, from living on lower budgets, to handling stress, to finding reputable retraining programs. We are also identifying occupational areas such as the automotive repair field where the shortages of skilled personnel are so extensive they have reached the critical level. These shortages have hurt the consumer in terms of excessive delays for repairs, ineffective repairs and high costs.

We are working with five trade associations representing repair facilities, the National Institute for Automotive Service Excellence, and the National Governors Association to develop a training and placement program. It may be that the program we develop can be used as a model for other occupational areas that are in short supply such as health care and computer programming.

With regard to finding employment, we are especially pleased with USOCA efforts in the past years in guiding industry and concerned groups in providing employment to the handicapped through such outstanding programs as Projects With Industry, which embrace the efforts of thousands of corporations.

In summary, the U. S. Office of Consumer Affairs' staff has implemented programs of information, education and representation of which this Administration is indeed proud.

In fiscal 1984 our programs will place highest priority on encouraging business to continue to initiate voluntary actions to address issues and resolve marketplace problems. Outreach programs will include increasing the number of meetings with leaders of constituency groups with emphasis on unemployment, on the ramifications of international trade, and on the concerns of senior citizens. Our plans also include a third National Consumers Week, encouraging improved nutrition and health information programs and building on our efforts to bring business, government and consumers together to consider alternatives to the court system for resolving marketplace problems. In these activities we will, of course, have a close working relationship with the White House Office of Public Liaison and other policy formulating offices of the White House. We look forward to another year of outstanding education and representation programs at low cost to the U. S. taxpayers.

We would be pleased to answer any questions you may have.

CONSUMER ACTION PANELS

Senator GARN. During last year's hearing you indicated that you were working on the establishment of a consumer action panel (CAP) with the airline industry. Could you tell me what the status of that is?

Mrs. KNAUER. I am sorry to report, Mr. Chairman, that while we had meetings with 17 of the major airlines and all the major airline associations and most thought it was a good idea and were generally supportive, the major airlines, without which it could not have functioned, were reluctant to make any financial commitments, because these consumer action panels are not cost free. Industry must pay the expenses of the panel members when they meet to consider individual complaints.

Perhaps as the economy improves we can again propose the idea to them.

But we are happy to report that the funeral industry panel, the one we helped create last year, called ThanaCAP, is functioning. All the others are still in place and report regularly their progress in solving consumer complaints.

Senator GARN. You testified in addition to the funeral industry, that the furniture, appliance, and automobile industries have also established CAP's.

Mrs. KNAUER. That is right.

Senator GARN. They are still in place?

Mrs. KNAUER. Yes. The oldest one is MACAP, which is the Major Appliance Consumer Action Panel. That has been in operation about 13 years now and is still solving complaints.

Senator GARN. Are there any additional actions or discussions with industries on CAP's?

Mrs. KNAUER. Yes. We have been talking with the nursing home industry, and they have taken the first step. They have a consumer advisory board. We are going to explore the suitability of an industrywide consumer action panel with them. We do hope that will happen.

During the Dispute Resolution Conference in January, many industry representatives learned of the concept of not going to litigation, but instead, trying to set up these panels to handle the more difficult complaints. We hear from other industries that they are interested in this alternative, and we think that they will be working on their own and with us to set up these dispute resolution panels.

NATIONAL CONSUMERS WEEK

Senator GARN. You mentioned that you are going to sponsor a National Consumers Week. What kinds of activities does OCA intend to sponsor during that week?

Mrs. KNAUER. Mr. Chairman, we act as a catalyst. We strive to focus the attention of the Nation on the need for consumer education, consumer information, and consumer redress.

Last year the Governors, following the President, issued proclamations establishing a consumer week within their various States. Many mayors also did so in their communities. The idea of focusing on the problems of consumers and the need for consumer education is important. Across the country there will be many schools and universities, as well as city governments, and many, many corporate entities which will be promoting activities such as a consumer fair or contest to raise the awareness of the public.

Last year we were just thrilled with the response. Our Office is now in the process of distributing some 400,000 flyers which announce the 1983 National Consumers Week. It has suggestions about what business, schools, and community groups can do to celebrate this week and how to increase consumer awareness. It started, of course, with the President's proclamation, and we are working hard to reach out with the message.

We are now finalizing plans for the week's events here in Washington which includes a Monday consumer education conference. We have invited consumer educators and those involved with consumer problems in foreign countries, and our own leading consumer educators, to assess the state of the art and where we should be going. We are honored that Education Secretary Bell will be one of our top speakers.

COMMENTS ON REGULATIONS

Senator GARN. In order that OCA can file formal comments on proposed rules and regulations of agencies in fiscal year 1984, you are requesting $52,000, or $63,000 less than your current fiscal year 1983 estimate. Why have you proposed a decrease in funds in that activity? When any agency proposes a decrease in funds, it perks my curiosity. I am not used to having most agencies propose decreases in their programs.

Mrs. KNAUER. Actually, the change relates to the estimated amount of staff time to be devoted to the preparation of formal comments on proposed regulations or legislation. We believe that our Office should file formal comments only when the consumer perspective is not otherwise effectively presented.

We feel that our staff will be able to provide informal technical and detailed assistance on proposed regulations. But I think, even more significantly, we can bring the concerns of consumers on substantive issues directly to the attention of heads of agencies when I meet with them; for example, when meeting with Commissioner Hayes of the Food and Drug Administration on the salt labeling or the patient package insert issues. We would also discuss with the Consumer Product Safety Commission issues such as the new foam insulation ban, space heaters, and so forth.

You see, the staff provides me with background. They usually attend these meetings because they are the experts. Of course, we naturally will continue in-house comments on OMB and White House regulatory proposals. These are often the initial proposals on legislation, regulations, or regulatory issues raised in speeches.

Senator GARN. Do you feel your requested budget is adequate so that you will not decrease your ability to comment on the regulations?

Mrs. KNAUER. I feel that we can meet our responsibilities. I feel we are fully in stride. As a start, we have been working on many issues over the past year. Our expertise has increased. My staff, which makes up these budgets, assures me that our estimate is realistic.

Do you want to comment on that?

Mr. MARVIN. Yes. Our budget presents a balanced program for all of our activities. Given our involvement in the preliminary stage of regulation formulation, before proposals get into the Federal Register, we think we are making an even greater impact on proposed regulations than we have in the past years.

ASSISTING THE ELDERLY

Senator GARN. During fiscal year 1983, OCA will continue to encourage energy officials at the Red Cross, the Salvation Army, and the national power associations to establish mechanisms which will provide assistance to the elderly who cannot pay their utility bills. What types of programs have already been established and do you feel these programs have been successful in helping the elderly?

Mrs. KNAUER. We had two national energy conferences to bring together energy suppliers and representatives of consumer groups and the elderly. They discussed ways to help pay utility bills of older citizens. These groups had done a lot of excellent work with utilities and charities. Based on programs that have been successful, it is going nationwide.

For instance, in eastern Pennsylvania, in their monthly statements, an electric utility provided a little box so that if anyone chooses to check it off and add a dollar or whatever they want to the bill, that difference above their own bill will be handed to a charity organization. The charity may then pay the utility bills of senior citizens or the disabled who have difficulty meeting their bills.

It works extremely well. This has been adopted in many cities. Kansas City, Topeka, Minneapolis, and almost 70 other cities have such funds as compared to just a handful a year ago. So we think that our encouragement of this concept through presentation at these conferences, both on the east coast and on the west coast, has generated a lot of dialog. Also, we understand that various utilities independently are doing the same encouraging we are.

1982 WORLD'S FAIR

Senator GARN. During last year's hearing, you testified that OCA would spend less than $1,000 for the consumer resource exhibit at the World's Fair in Knoxville, Tenn. How much did you actually spend on this exhibit?

Mrs. KNAUER. The final figure was about $3,500. Our printing costs were about $1,000, $500 was for travel to Knoxville, and $2,000 was for staff salaries. We developed a booklet, "The Energy Consumers Guide," which contains tips on how to conserve energy in heating and cooling.

How many were printed, Frank?

Mr. MARVIN. The initial printing was 1,000 copies.

Mr. Chairman, the Alabama space and rocket people picked up the USOCA energy tip idea, built on it, produced the booklet, "Your Keys to Energy Efficiency," and distributed some 25,000 copies at the World's Fair.

Mrs. KNAUER. We got a credit line because we were the editors and, of course, the promoters of the whole idea.

But something else happened that was quite interesting at the World's Fair. We involved a large number of businesses, but particularly the Better Business Bureau. Two Knoxville area local BBB's set up a system called Teletips. Visitors came to a booth in the U.S. Pavillion, which included a bank of telephones. They would dial consumer information from 20 different tapes. I was amazed the other day to learn that BBB recorded some 105,000 calls on this information system.

With very little staffing or financial input from USOCA, we provided a very good service because we encouraged the better business bureaus and individual companies to carry out the idea and do the work.

Senator GARN. You also testified that you would share the exhibit with a consortium of other Federal agencies and the Council of Better Business Bureaus. Did any additional groups participate in the exhibit?

Mr. MARVIN. The Consumer Information Center was the only additional Federal participant. The others were from private industry. This included American Graphics of Houston, the American Gas Association, and a number of others.

FISCAL YEAR 1983 BUDGET REDUCTIONS

Senator GARN. Last year Congress reduced your original fiscal year 1983 budget from $1,987,000 to $1,947,000. In both the House and Senate reports, the Appropriations Committees recommended that this $40,000 reduction should be taken from your office space account.

Did you take the reduction in that account?

Mrs. KNAUER. This is a very technical question. If I may, Mr. Chairman, I am going to defer to Mr. Marvin on this.

Mr. MARVIN. Mr. Chairman, in response to the congressional committees' comments, we did reduce our space in the Premier Building by some 1,100 square feet. Applying the 1983 estimate for cost would have amounted to a $32,000 saving. We cut $32,000 rather than $40,000 of space because of the configuration of the area. The additional $8,000 in reduction was applied to communications.

However, we were notified in late December that Public Law 97-377 precluded GSA from increasing space costs in 1983. So the total cost for space in 1983 will be substantially less than we had anticipated in our 1983 budget estimate.

SUBMITTED QUESTIONS

Senator GARN. Mrs. Knauer, we appreciate your being here. The rest of the questions, as you can tell from the sound of them, are getting more technical and detailed. Rather than take your time or that of your staff to answer any of them. I will submit the remainder of my questions, as well as questions from Senator Huddleston, for your response in the record. We appreciate your being here very much. Thank you.

Mrs. KNAUER. Thank you very much, Mr. Chairman, for the opportunity.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR GARN

TDD NUMBERS

Question: In FY 1982 you published the Federal Directory of TDD Numbers for use by the hearing and speech impaired. What type of information is contained in this Directory?

Answer: The Directory of Federal TDD Numbers lists the telephone numbers and addresses of over 70 Federal agencies which have established telecommunications devices for communicating with the hearing and speech impaired.

Question: What was the cost of publishing this Directory?

Answer: 15,000 copies were printed at a cost of $500. We were recently informed by the Consumer Information Center that they are out of the Directory. Therefore, we will update the publication.

INITIAL BUDGET REQUEST

Question: How does you FY 1984 budget request compare to your initial request to OMB? In what areas were the major reductions made, and what effect will these have on your programs?

Answer: Our request to OMB totaled $2,054,000. Reductions were essentially across-the-board -- they affect all USOCA programs to a relatively minor extent. It requires some further belt tightening, but we do not envision this would cause a significant impact on our activities. Personnel staffing remains unchanged at 36 full time equivalent employment.

OTHER SERVICES

Question: In FY 1984 you are requesting $300,000 for your Other Services account. This is $20,000 less than your current FY 1983 budget estimate. What activities funded through this account in FY 1983 will not be funded in FY 1984?

Answer: The reduction of $20,000 reflects a reduction in funds to be used to distribute publications from the Consumer Information Center in Pueblo, Colorado. All other activities will continue to be funded at essentially the same level.

Question: Please submit, for the record, a detailed breakdown of the items in your "Other Services" account for FY 1983 and FY 1984.

	FY 1983	FY 1984
CIC Reimbursement	$ 270,000	$ 250,000
Job Orders	5,000	4,000
IBM Memory typewriter maintenance	2,000	2,000
3M word processing maintenance	3,000	3,000
Typewriter repair	3,000	3,000
Training	5,000	5,000
Press clipping service	2,000	2,000
Health Unit	3,000	3,000
HELP Radio series	11,000	12,000
Career Education Program	5,000	5,000
National Consumers Week charges	2,000	2,000

Senator Garn—Continued

	FY 1983	FY 1984
Express mail charges	3,000	3,000
Constituent Resource Exposition	2,000	2,000
Miscellaneous	4,000	4,000
	$ 320,000	$ 300,000

MEETING WITH NIBS

Question: In FY 1982, USOCA participated in several interagency meetings which dealt with issues impacting consumers. During this time, several meetings were held with the National Institute of Building Sciences (NIBS). What was the focus of the meetings with NIBS?

Answer: At the time of the meetings with NIBS, our office was counseling with them on ways to increase consumer input into their program activities, including the creation of a Consumer Action Panel comprised of individual business and association members of NIBS.

Question: Did any government-wide policy on consumer issues develop from these meetings.

Answer: No government-wide policy on consumer issues developed from these specific meetings.

CONSUMERS RESOURCE HANDBOOK

Question: In FY 1984, you are requesting $6,000 to revise, reprint and distribute to Federal, Congressional, state and local consumer offices, action line reporters and business and consumers, the Consumers Resource Handbook. This is an increase of $4,000 over what you estimated you would spend in FY 1983. Please explain why the printing and distribution costs of the Handbook are expected to increase in FY 1984.

Answer: The printing and distribution of the Consumers Resource Handbook is a joint effort of a number of Federal agencies. The amount expended by USOCA covers only a small portion of the total cost. For example, in FY 1982 $215,000 in funds from ten agencies resulted in production of approximately one million Handbooks. The USOCA contribution for printing and typesetting was $10,000. We estimate that our fair share of the printing of the Handbook in FY 1983 and 1984 will be approximately $6,000 in each year. The extent of other agency participation is unknown at this time, but we do hope we will again be able to distribute one million copies each year for approximately $200,000 to $225,000.

Question: You have reprinted this book for the last two fiscal years. Why is it necessary to reprint this book so often? Wouldn't it be more cost effective to print supplements to the book?

Answer: We believe that changes in addresses, organizations and telephone numbers make any publication of this type necessary to reprint on a yearly basis. At the end of the year, one million copies originally printed using FY 1982 funds will be exhausted. We do print errata sheets to reflect corrections and changes shortly after printing, however, because of the large number of changes which have occurred after six or nine months, the use of this sheet is unrealistic. In addition, a supplement would be of limited value unless we could get the supplements into the hands of all the recipients. Because of costs, we do not maintain names of initial recipients of the basic Handbook.

CONSUMER RADIO SERIES

Question: In FY 1984 you are requesting $12,000 for your consumer "HELP" radio series. This is an increase of $2,000 over your FY 1983 estimate. What is the justification for this increase?

Answer: The "HELP" radio series has been and will be a competitive bid contract. Our FY 1983 estimate has now been raised to $11,000, reflecting an expected increased cost. We have applied a similar slight increase for FY 1984. Of course, it is our hope that the competitive bid process will result in a lower price to the Federal government.

EMPLOYMENT FOR DISABLED PERSONS

Question: During last year's hearings, you indicated that you would continue "Project Partnership," in FY 1982. This demonstration program is aimed at providing employment for disabled persons in Los Angeles, San Francisco and New York. Do you plan to continue this program in FY 1983?

Answer: No. As you recall, Project Partnership was a limited pilot demonstration program in three cities. We have made available to the staff of the Rehabilitation Services Administration of the Department of Education the experiences which we gained in these pilot efforts. We are working closely with George Conn of RSA on the Projects With Industry network which, of course, covers several thousands of corporations and rehabilitation facilities. We are also exploring other possible pilot endeavors relating to providing employment opportunities for the handicapped.

Question: has the program been started in other metropolitan areas?

Answer: No, the initial pilot effort was limited to three cities.

Question: How many people have been hired as a result of this program?

Answer: The Project Partnership pilot effort resulted in the employment of about 100 persons. However, employment itself was not the principal objective of this effort -- it was to determine the possible benefits of new and innovative programs for the handicapped.

PERSONNEL COMPENSATION

Question: In FY 1984 you are requesting $1,079,000 for personnel compensation for 40 full-time permanent positions. This is a decrease of $46,000 from your current FY 1983 budget estimate. Please explain the decrease in this account.

Answer: The decrease reflects an anticipated change in the mix of grades of USOCA employees, particularly the elimination of a presently-occupied GS-15 position and the appointment during FY 1984 of a more junior employee, probably a GS-7. In total, we expect a reduction in average grade from 10.51 in FY 1983 to 10.31 in FY 1984, and a reduction in the average salary from $32,044 in FY 1983 to $31,189 in FY 1984.

EDUCATION CONFERENCES

Question: In FY 1984 you will continue to sponsor periodic conferences for consumers, teachers and consumer specialists in order to exchange views and discuss issues related to teaching methods, resources and programs. How many conferences did you sponsor in FY 1982 and what was the cost of each of these conferences? Where were the conferences held and how many conferences do you intend to sponsor in FY 1983 and FY 1984?

Answer: In fiscal year 1982 we sponsored one conference of consumer educators in the Old Executive Office Building at virtually no cost to the U.S. Government except staff effort. In FY 1983 and FY 1984 we will sponsor conferences of educators as part of National Consumers Week. In addition, the staff is considering cosponsoring several smaller forums covering teaching methods and resources with consumer education organizations.

INTERAGENCY TASK FORCES

Question: In FY 1983, OCA will continue to work with the U.S. Trade Representative's Office and the Commerce and State Departments on furthering efforts to expand freer world trade and to further consumer understanding and participation in these programs. What specific trade issues do you intend to emphasize?

Answer: Specifically, the trade issues this Office will emphasize are:

- greater understanding and action by government, business and consumer leaders around the world regarding the need for freer world trade as a matter of vital concern to consumers (e.g., tour of Japan); and
- opposition to the very short-sighted proposals for "local content" legislation which proposes to require as much as 90% of foreign car material and construction to be provided by U.S. producers and labor.

In addition, the Office has been active on trade issues in the following ways:

- Working within the Committee on Consumer Policy of the OECD to establish internal procedures to assure that consumer impact be appropriately reflected in the development of OECD trade policies; and
- Working with the State Department and other Executive agencies to develop comments on the proposed set of U.N. Guidelines for Consumer Protection.

OUTREACH EFFORTS

Question: In order to foster and coordinate information which emphasizes the problems of the elderly, minorities, low income, disabled and rural consumers, you are requesting in FY 1984 $262,000 or $45,000 more than your current FY 1983 estimate for outreach efforts. What type of information is provided to these consumers?

Answer: My office provides information on major issues, proposed legislation and guidelines which impact on consumers. Information regarding how to effectively complain and where to go to get complaints satisfactorily resolved is also provided to consumers. Then my staff and I listen to the views of these constituent leaders, encourage productive dialog with other interested groups such as business, and incorporate the constituent view during policy development by the White House. Upon request, my office identifies and stimulates Federal and private sector financial and other resources which benefit organizations serving special population consumers. My staff also works with low income, elderly, handicapped and consumer organizations in coordinating conferences and planning and securing participants and materials for educational workshops and seminars.

Question: What is the justification for the proposed increases in FY 1984?

Answer: The proposed increase of $45,000 is to cover the salary and support services related to the increase of an additional 3/4 of a personyear staff effort essential to providing the support for an increased number of meetings in the White House Office with leaders of constituency groups to discuss consumer related initiatives of the Administration.

Question: What specific outreach efforts do you intend to conduct in FY 1984 and what outreach mechanisms do you intend to use?

Answer: The increase in FY 1984 reflects staff effort needed to meet the additional meetings in the White House with leaders of constituency groups to discuss consumer related initiatives of the Administration, as well as to coordinate conferences and workshops. Our outreach efforts will continue to be comprised of a mix of individual meetings with leaders of constituency groups and conferences and workshops. These, of course, are supplemented by our public information programs through Consumer News, or HELP radio series, speeches and publications.

Questions Submitted by Senator Huddleston

Question: In view of your office's size, you have had in each of the last three years a relatively large number of unfilled positions on September 30. At what GS levels have these unfilled positions been?

Answer: The following is a summary of unfilled full time permanent positions.

	FY 1980	FY 1981	FY 1982
SES-1	1	1	1
GS-15	-	4	4
GS-14	2	3	2
GS-13	1	-	-
GS-12	-	-	2
GS-11	-	4	-
GS-10	1	-	-
GS-09	-	-	-
GS-08	-	-	1
GS-07	-	1	-
GS-06	-	-	-
GS-05	-	1	2
GS-04	-	3	1
	5	17	13*

*As indicated in the testimony before the House Appropriations Subcommittee on February 2, this entry on page 20 of the justification statement is a typographical error. Unfilled positions on September 30 were actually 13 instead of 10.

Question: In view of the number of unfilled positions, why shouldn't we reduce the number authorized?

Answer: The number of unfilled positions in FY 1981 and FY 1982 was caused by the departure of a large number of Schedule C's during the change of Administration and the decision not to reappoint an equal number selected by the new Administration because large numbers of career positions would have had to be eliminated in filling these positions. It was also related to the sharp reduction in USOCA funds and staffing which necessitated keeping vacant a large number of positions in order to live within total USOCA resources. In FY 1983, the funding and staffing situation stabilized, and we project full time permanent employment of 36, with actual on-board employment at times running as high as 37 or 38 employees. Other than full time permanent employment is expected to range between one and two persons. As vacancies occur, it is probable that other previously vacant positions will then be filled. Thus, the actual number of full time permanent positions filled at any time during the year may be close to the requested level of 40. In view of our more stable resource situation and the high probability of filling positions, we believe that the estimate of 40 full time permanent is realistic. Reduction in the total number of authorized positions would, in fact, have no change in the total amount of resources requested by USOCA.

Question: What was the total cost of the October 1982 pay raise and the December 1982 executive pay raise?

Answer: Total cost of the pay raises are as follows:

	FY 1983	FY 1984
October 1982	$54,000	$54,000
December 1982	9,000	12,000
Total	$63,000	$66,000

Question: In FY 1983 you show a reduction of $20,000 in use of the Consumer Information Center publications facility. What accounts for this decrease in use?

Answer: In FY 1983 we estimate distribution of approximately 1.1 million publications. Of this number, 300,000 will be the Consumers Resource Handbook which we expected to distribute in FY 1982 through the Center, but because of printing delays we were unable to do so. Thus, the additional publications are being distributed in FY 1983. In FY 1984 we estimate distribution of approximately 1 million publications, which is consistent with our historic use pattern. In essence, FY 1984 is not a reduction in CIC usage.

Question: For FY 1984 you would allocate 5.40 FTE to outreach efforts for the elderly, minorities, low income, disabled and rural consumers. How will resources be allocated among those groups?

Answer: These resources provide the staff support needed to plan and organize meetings in the White House with constituent group leaders to discuss consumer related initiatives of the Administration, as well as to coordinate related conferences and workshops. We project an approximate pro rata allocation, however, since individuals fall within more than one group, -- i.e., a person may be elderly, disabled and rural -- it is not possible to allocate resources among the individual groups with much precision.

Question: Please elaborate on the activities the Office has taken to assist the unemployed. The efforts to identify occupational areas where there are shortages of skilled personnel and to find appropriate retraining programs sound particularly promising. Do you see ways this effort might be expanded?

Answer: Perhaps the greatest tragedy for the unemployed and for consumers is that there are literally tens of thousands of jobs which go unfilled every day, mainly because individuals available lack the skills necessary to fill them. Automobile mechanics are but one prime example: even in very high unemployment areas such as Detroit and Pittsburgh, qualified mechanics are not unemployed. Beyond mechanics, the Labor Department has identified 20 occupations with great demand growth for this decade. Of these 20, 14 do not require college training. These are as follows:

1. Data processing machine mechanics
2. Paralegal personnel
3. Computer operators
4. Office machine and cash register servicers
5. Computer programmers
6. Fast food preparation and service workers
7. Dental hygenists
8. Dental assistants
9. Peripheral data processing operators
10. Travel agents, accommodation appraisers
11. Nurses aides, Orderlies

12. Childrens attendants
13. Tax preparers
14. Correction officials and Jailers

As important as training is, it will not work unless there are men and women available who are willing and able to be retrained. For many individuals, that means overcoming the financial and psychological stress that comes with unemployment, and having the ability to identify one's skills.

Henry Ford Community College has developed a number of courses for the unemployed, financed by the private sector, which help the unemployed know their potential skills, teaches them how to cope with personal stress, and how to exist on lowered budgets. The course aims at giving individuals a sense of value, even though they are not working. My office has requested the National Association of Junior and Community Colleges to urge its 2,000 members to undertake similar programs, and it has agreed to do so. We have recommended to the Public Broadcasting System that it produce a one-hour special based on these courses, and the response thus far has been positive though delays have occurred in locating a suitable producer. A consortium of banks led by Manufacturers Bank in Detroit is developing the funding necessary to duplicate the text work. I have interviewed seven of these experts for my own "HELP" program, and Group W, a cable network, has taped these interviews for showing on 150 stations. Obviously, I would like to see more done to get this type of information out to the public.

Question: Are you aware of any other federal efforts in this area?

Answer: The Department of Labor (DOL) has broad responsibilities for employment and training programs of the Federal government. For this reason we are working closely with the staff of DOL to insure maximum benefit from these efforts.

Question: You filed formal comments on six proposed agency rules and regulations. Please summarize briefly your position in each case.

Answer: The following is a summary of USOCA formal comments on proposed rules and regulation.

1. Revision of OMB Circular A-119 concerning Federal employee participation in voluntary standards development activities.

   USOCA was concerned that any process of voluntary standards making in which the Federal government participates be open, and at a minimum, provide appropriate notice of schedules, decisions, and activities, reasonable access to materials and records, and a reasonable opportunity to comment, at least in writing.

2. HUD Report to Congress on the need for further real estate settlement legislation.

   HUD proposed substantially eliminating RESPA and substituting it with the lender-packaging concept. USOCA did not view this approach as necessarily streamlining present settlement practices, lowering costs for consumers, or promoting price competition among providers of settlement services without the addition of some important consumer safeguards.

3. Patient package insert labeling.

   USOCA felt FDA's preference for patient package inserts, as outlined in its Final Rule, was unnecessarily restrictive. We felt alternative methods of providing drug information, which would be as effective as patient package inserts but less costly, should be given an opportunity to be developed and utilized. USOCA provided ideas as to the criteria guidelines that could be used to evaluate these alternative mechanisms.

4. FTC's trade regulation rule concerning the sale of used motor vehicles.

   USOCA supported this rule as a reasonable, straightforward and uncomplicated approach to alleviating the problem of consumer reliance on oral misrepresentations by dealers of the mechanical condition of used cars and warranty coverage.

5. FTC Improvements Act of 1980.

   This comment was incorporated in our testimony on the used car rule.

6. Proposed FDA regulations on sodium labeling.

   We fully supported the proposed amendments to existing food labeling regulations which would assure accurate and meaningful sodium information. However, we did offer some suggestions for eliminating potential confusion with the proposed standard definitions for the terms used to alert consumers to foods that ate low in sodium, i.e., reduced sodium.

Question: You also provided comment on eight legislative proposals. Please summarize briefly your position on each of those.

Answer: The following is a summary of USOCA formal comments on proposed legislation.

1. H.R. 4786, "Bankruptcy Improvements Act of 1981."

   We expressed reservations on this measure which called for major substantive and procedural revisions in the Bankruptcy Code. This proposal represented a possible waste of judicial manpower and enormous costs to the court systems. It's our belief the seriousness of bankruptcy needs to be underscored, but there must be a balance of interest between creditors and those who declare bankruptcy.

2. H.R. 5362, Department of Energy's Report on H.R. 5362,"Amendments to the Truth-in-Lending Act."

Although we supported the Department's opposition to enactment of H.R. 5362, which would have prohibited the imposition of a fee on any service station operator who honored a credit card issued by a gasoline company, we made several suggestions to strengthen and clarify their position.

3. H.R. 4826, Treasury's Proposed Report on H.R. 4826, the "Interest Rate Reform Act of 1981."

   We supported the position taken by the Department with respect to this bill which called for a national indexed usury ceiling. USOCA felt this was an inappropriate means at this time of restraining high interest rates.

4. S. 2000, Department of Justice Report on S. 2000, the "Bankruptcy Improvements Act of 1981."

   We, too, felt this bill represented a more balanced approach to establishing an equitable Bankruptcy Code, but felt there were two provisions which warranted comment, or perhaps further analysis by Justice. They were the provisions calling for elimination of federal exemptions and the provision repealing the avoidance provisions regarding non-purchase money security interests in certain property.

5. HUD's Legislative Proposals entitled "Amendment of Real Estate Settlement Procedures Act (RESPA) of 1974."

   HUD's proposal involved eliminating prohibitions in RESPA on "kickback" and "referral fees." We support HUD's efforts to streamline the transfer and settlement process but felt this was only a minor step toward achieving that goal.

6. Draft Commerce Testimony on Electronic Funds Transfer (EFT).

   USOCA supported the testimony of Commerce that the Federal Reserve System's role in the electronic banking field not be expanded without close scrutiny by Congress. USOCA felt that the objectives of EFT policies should be to promote market competition, keep government regulation and involvement to a minimum, and fulfill the consumer need for producing the highest quality, lowest cost banking services.

7. Justice Report on S. 2297, the "Shopping Center Protection Improvement Act of 1982."

   We supported the position taken by Justice and its recommended changes which in effect called for providing further protections for parties involved in contractural or lease relationships.

8. DHHS Proposed Draft Bill entitled the "Food, Drug, and Cosmetic Act Amendments of 1982."

   USOCA strongly supported FDA efforts to amend the performance standard setting procedure in order to streamline the process for permitting new or improved devices to be marketed to the public without delay. In particular, USOCA was

> pleased to see that FDA was proposing to take advantage of the expertise available in "voluntary standards developed by private organizations."

Question: How many local mechanisms to help the elderly who are unable to meet utility bills have been established?

Answer: Right now there are approximately 70 programs developed by utilities and local charitable organizations to assist the elderly needy. This compares to a handful a year ago.

Question: How are most structured and how do they leverage private firms?

Answer: The basic way they operate is as follows: a utility will survey its ratepayers to determine whether a sufficient number would want to participate in a voluntary program in conjunction with the Red Cross or Salvation Army to assist the elderly needy and low income families. If there is sufficient support, a ratepayer can add any amount over the regular bill. The excess is given to the Red Cross or the Salvation Army. These organizations then dispense the funding to the needy families. I am told that private corporations have been helpful in these efforts.

Question: What do you anticipate in the future in terms of efforts to develop alternatives to litigation for resolving marketplace disputes?

Answer: Alternatives to litigation can include a whole spectrum of activities and organizations. One important thing my office can do to keep cases out of the courts is to make certain the complainants submit their grievance to the organization which can and will and actually has the authority to handle the grievance. To encourage proper complaint referral we will update the Consumer's Resource Handbook and the Congressional Liaison Handbook.

We have plans to work with the media to encourage them to take more responsibility for the advertisements which they run. We plan to hold a training seminar for the media to assist in developing techniques for identifying misleading ads from disreputable mail order firms -- mail order complaints are at the top of many complaint lists.

We will encourage business to handle its own complaints better by counseling them on the virtues of setting up business or trade association sponsored complaint handling systems such as the CAP programs.

And lastly, drawing on the success of our recent conference on alternatives to the courts for handling consumer disputes, we will provide resource material and technical assistance to the complaint referral centers now being established around the nation as extensions of the courts or as services of the local Bar Associations.

Question: On page 3 of your justification, you note that fewer resources are being devoted to administrative staffing of the Consumer Affairs Council, participation in interagency task forces and review of proposed regulations and legislation. Why did you decide to deemphasize these areas?

Answer: The amount of staff effort necessary to provide administrative support of the Consumer Affairs Countil is projected to require 0.72 person years effort in FY 1984 and 1.08 in 1983 compared with 1.43 in FY 1982. After three years of operation, agency staffs have developed experience in meeting the basic requirements of Executive Order 12160. Systems and procedures are in place, and there has been a close working relationship established by the USOCA staff and personnel of individual Federal departments and agencies. For this reason, the amount of time required to provide administrative support is considerably less than in the initial installation and development stages of the Council.

Involvement of the staff in interagency task forces is essentially the same in FY 1983 and FY 1984. The increase of $4,000 in FY 1984 reflects a prorata share of the increased cost of floor space for employees housed in the Premier Building. The slight reduction in resources between FY 1982 and FY 1983 is essentially a share of the overall reduction of personnel during that period.

The reduction in staff effort related to the review of proposed regulations and legislation reflects the Administration's emphasis on less government involvement in the economy. While there is a reduction in the number of formal comments filed, the consumer perspective continues to be provided in the personal contact between the Director, USOCA and heads of OMB and the White House Office and the staffs of departments and agencies. In addition, the USOCA staff provides comments to members of agencies in the developmental phase of legislative regulations. These result in changes prior to the actual issuance of proposed regulations or introduction of Administration sponsored legislation.

Question: You have programmed $20,000 for overtime in FY 1984. What necessitates the payment of overtime in the Office?

Answer: Use of overtime is closely controlled in USOCA. Approval of requests is granted by only one staff officer. Overtime is authorized only in those cases where time, technical and/or administrative requirements preclude redistributing the workload to other members of the staff and is authorized only for clerical and secretarial services on priority program and policy activities.

Question: Your standard level user charges are scheduled to increase from $135,000 to $270,000 between FY 1983 and FY 1984. Does this reflect additional space or just the increase in cost of the space you currently occupy?

Answer: The increase in cost is due to additional charges by GSA for space presently occupied by USOCA. In accordance with the Congressional directive in the FY 1983 budget, USOCA office space has been reduced by 1,120 square feet.

GENERAL SERVICES ADMINISTRATION

CONSUMER INFORMATION CENTER

STATEMENT OF TERESA NASIF, DIRECTOR

ACCOMPANIED BY LEONARD YONKLER, EXECUTIVE DIRECTOR, OFFICE OF INFORMATION RESOURCES MANAGEMENT

OPENING REMARKS

Senator GARN. Our next witness will be from the Consumer Information Center.

The Consumer Information Center was established within the General Services Administration by executive order on October 26, 1970, with the mission of encouraging Federal departments and agencies to develop and publish practical, relevant consumer information and increasing public awareness of and access to this information. The Center is designed to capitalize on the data generated by the Federal Government from the billions of dollars spent on research, evaluation, planning, regulations, and procurement. This technical information is then translated into consumer publications and made available to the public.

The quarterly Consumer Information Catalog is the primary way that CIC is able to promote public awareness of Federal publications. To help offset the Federal Government's cost in providing this information, CIC will begin charging a user fee of $1 for two or more free publications from the catalog. The user fee will start with the release of the spring catalog in March and all revenues generated will be returned to the Treasury.

This year you are requesting $1,449,000, or an increase of $2,000 over your current fiscal year 1983 level.

If you would like to proceed with your statement.

Ms. NASIF. Thank you, Mr. Chairman.

I would like to present Mr. Leonard Yonkler, who is the Executive Director of the Office of Information Resources Management, the entity in GSA that the Consumer Information Center is a part of.

GENERAL STATEMENT

I have a short statement.

Mr. Chairman, on behalf of Gerald P. Carmen, Administrator of the General Services Administration, I want to thank you for the opportunity to be here today to discuss the fiscal year 1984 budget request for GSA's Consumer Information Center.

The CIC performs two major duties: To assist Federal agencies in developing and releasing practical, relevant consumer information; and to increase public awareness of and access to this information. The CIC promotes public awareness of Federal consumer information through publication of the quarterly Consumer Information Catalog and through various media services. In addition, we coordinate distribution of Federal consumer publications from a centralized facility in Pueblo, Colo.

In the past year, Government-wide budget constraints have presented a significant challenge to agencies in the development and release of information to the public. The CIC is working during this era of scarce resources to help Federal agencies reassess their information priorities. We want to insure that resources are concentrated on publications that address the most important economic, health, and social problems confronting Americans. Further, encouraging agency use of established CIC marketing and distribution services helps them provide critically needed consumer information in the most cost-effective manner.

As in past years, publications from the CIC, which will be available nationwide, deal with a wide range of topics, including Federal programs and activities and essential issues relating to the consumer's budget, health, and safety. To help offset the Federal Government's cost in providing this information to the public, the CIC will begin charging a user fee of $1 for two or more free publications ordered from the Consumer Information Catalog. This cost-recovery effort is being implemented as a result of a study we conducted in fiscal year 1982 at the request of this subcommittee. The user fee will commence with the release of the spring catalog in March 1983, and all revenues generated will be returned to the U.S. Treasury.

We are requesting $1,449,000 for fiscal year 1984. This allows for a $2,000 increase in the programed amount for fiscal year 1983. The increase is necessary to cover the mandatory full-year matching of our personnel's medicare contributions.

I want to emphasize that no funds are requested for new programs. We will maintain programs at levels prevailing in prior years. Program activities will stress: One, identifying new markets for the Consumer Information Catalog; two, using the media to broaden the public's awareness of Federal consumer information; and three, monitoring the Pueblo distribution facility to insure that services continue to be as efficient and cost effective as in the past. There will be continued emphasis on refinements and improvements in every phase of our operations so that services are delivered to agencies as well as the public in a cost-effective manner.

Mr. Chairman, I am pleased to provide this brief summary. I would be glad to answer any questions you might have.

Senator GARN. Thank you very much.

PUBLICATION SURVEYS

In order to assist agencies in improving individual publications, publication evaluation surveys are enclosed with randomly selected catalog orders. CIC then collates consumer responses and presents to the agencies recommendations for revision. What types of questions do you ask on these surveys?

Ms. NASIF. We basically want to find out if the booklets are substantive and informative, so we ask questions about the readability, whether the graphics and technical information are clear enough. Some agencies are also interested in finding out if consumers actually change their behavior or take specific actions as a result of having read the publication.

For example, in the survey that we did on the booklet, "Sodium, Think About It," 50 percent of the readers indicated that they intended to reduce their sodium intake as a result of reading the publication. They also became much more aware of sodium labeling information on food products. The questions are developed working with agencies to serve their needs in revising the booklets.

Senator GARN. Do you have any idea what percentage of the people surveyed respond?

Ms. NASIF. We generally send out about 1,500 questionnaires and our response rate has averaged about 20 to 25 percent, which is a very good response rate.

Senator GARN. How many of the agencies' publications have been revised as a result of surveys?

Ms. NASIF. In fiscal year 1982, we conducted four surveys and all four agencies incorporated the suggestions made by the readers into their new publications. We did one for the Securities and Exchange Commission, one for the Federal Information Centers, one for the Department of Agriculture, and one on a joint booklet from the Department of Agriculture and the Food and Drug Administration. So in all cases the results were useful and used by the agencies.

Senator GARN. Do most of the people who suggest that changes be made believe the publications are too simple or do they think they are too complicated?

Ms. NASIF. Well, generally people find most of the charts a little difficult to understand. One booklet, "Your Money's Worth in Food," had charts describing the cost per serving of various cuts of meat, and USDA was very proud of the way they had done the charts, but they found out that many people couldn't follow along. So when they revised the publication, they simplified those charts.

A surprising number of readers actually ask for more comprehensive information. They think some of the booklets are too simple. So there is no norm. About half the time they ask for more information.

Senator GARN. I remember looking at one of the booklets a few years ago which were sent out to dairy farmers. The booklet was telling people that when they went into a barnyard, you had to be careful the cow didn't kick you. [Laughter.]

It was just absolutely incredible. Even Mr. Rogers would have gone into more detail for children. [Laughter.]

You send this type of information out to some fellow who has been a dairy farmer for 40 years. It was one of the biggest jokes I have ever seen in my life. It even went so far as to tell you to be careful not to slip on some of the stuff the cows leave around the yard.

Ms. NASIF. I think this is precisely what agencies are trying to avoid.

Senator GARN. I hope so.

INFORMATION FOR THE BLIND

In fiscal year 1981, an organization—Recording for the Blind, Inc.—undertook a project to produce cassettes of the publications listed in the Consumer Information Catalog. During the past year CIC, in conjunction with the Office of Consumer Affairs, has worked on the promotion of these tapes. What type of promotional activities did you undertake?

Ms. NASIF. We have done a number of different things. One thing we have done is to list a booklet in the catalog entitled, "Books Talk," which describes the services for the blind from the Library of Congress. Since last June every time someone has requested a copy of "Books Talk" we have also sent out a flyer we developed describing the Recording for the Blind consumer information cassettes. Obviously, we know these people would also be interested in learning about them.

In addition, we have done press releases for newspapers and magazines discussing the availability of cassettes, and we have done scripts for radio stations as well. We have worked with the Office of Consumer Affairs to make sure that they included a description of the cassettes in their Consumer's Resource Handbook. The Consumer's Resource Handbook, of course, is going to have very wide circulation since 1 million copies have been printed.

We are also working with the Library of Congress on a promotion in their magazine for libraries and individuals interested in materials for the visually handicapped. The magazine is entitled "Talking Book Topics." They are going to be doing a feature in the upcoming issue on the Recording for the Blind cassettes, again alerting the public that they are available. Of course, they are free of charge to certified users.

Senator GARN. Do you have any idea how large an audience you have reached with these promotional activities?

Ms. NASIF. The Recording for the Blind people tell us that the consumer information cassettes are their most popular items. They have received hundreds of requests for them, and they are a little worried they might not be able to keep up with the demand. It is quite a large audience we have reached.

Senator GARN. How do individuals gain access to these tapes?

Ms. NASIF. They would contact Recording for the Blind directly in New York City. They are located at 215 East 58th Street, New York, New York, 10022.

In order to become a registered borrower, you simply supply a certificate of medical eligibility saying that you are either visually, perceptually, or physically handicapped and cannot use regular printed materials. Once you receive the certificate, you receive the materials free of charge. You also become eligible for the special playback equipment needed to run the cassettes. These are available once you are certified as being eligible, free of charge, from the Library of Congress.

REVENUE FROM USER FEE

Senator GARN. You testified, and I also mentioned, about your new user fee. You expect the user fee to produce as much as $150,000. I would appreciate it if you could inform the subcommittee on a quarterly basis of any data you collect on this user fee.

Ms. NASIF. We would be glad to, Mr. Chairman.

CHARGES FOR COMPUTER TIME

Senator GARN. In fiscal year 1984 you are requesting $65,000 within your "Other services" account to pay GSA for computer time. This is the first time this request has appeared in your budget justification. How did GSA charge you in the past for computer time?

Ms. NASIF. We were very fortunate. We had not been charged in the past because GSA, in the past, funded internal computer systems out of a central fund without any assessment back to the program office. This policy has now changed.

I believe Mr. Yonkler could probably elaborate on why the policy was changed.

Mr. YONKLER. Mr. Chairman, one of the actions that the GSA Administrator took to implement Public Law 96-511, the Paperwork Reduction Act, was to functionally transfer, beginning with fiscal year 1983, the resources that were previously provided or funded out of a central account, the "General management and administration" account of GSA, in support of ADP costs, to each of the program organizations that use those resources.

There were two particular reasons to do this. The first benefit we sought was to more accurately reflect the cost of providing a particular service. The second was that the program manager could then set priorities over all cost elements for providing the service, including the ADP cost.

When we did this functional transfer, we increased the amount requested in the accounts, such as the CIC, and correspondingly decreased the amount requested in the "General management and administration" account.

PAY SUPPLEMENTAL

Senator GARN. You are requesting a $31,000 supplemental to meet pay increases for fiscal year 1983. How much of the pay increase will you be able to absorb?

Ms. NASIF. That is the total amount of the pay increase.

Senator GARN. What would the impact be of Congress not approving this supplemental?

Ms. NASIF. We would probably have to reprogram funds to cover the salary shortfall out of the newly available excess SLUC funds. We had planned to submit a reprograming request to this subcommittee to use the excess SLUC funds to print additional catalogs. So, ultimately, the impact would be to decrease the number of catalogs we would be able to print in fiscal year 1983.

CATALOG DISTRIBUTION

Senator GARN. The Consumer Information Catalog is distributed through a variety of distribution channels, such as Members of Congress, libraries, local and national consumer organizations, as well as responses to individual requests generated through the media. During fiscal year 1982, what was your largest source of distribution of the catalog?

Ms. NASIF. Our major outlet is our bulk mailing list, which consists of individuals and organizations that can use a minimum of 25 or more catalogs each quarter. The users are librarians, educators, civic groups, consumer organizations, and State and local government offices. In fiscal year 1982 we distributed about 40 percent of our total catalogs, about 8.1 million catalogs, through our bulk users. We think that they are a very effective outlet for us. As a matter of fact, we are planning to expand our bulk mailing list because we think it is such an efficient way of getting the catalog out.

IRS DISTRIBUTION OF CIC FLYER

Senator GARN. In 1981–82, CIC distributed through regional centers of IRS a flyer advertising the availability of the catalog. The flyers were inserted in packages of supplementary IRS forms requested by taxpayers and resulted in consumer orders for more than 1.3 million booklets. Do you intend to repeat this distribution during 1983?

Ms. NASIF. Yes, we do. We are very pleased with the results of this particular cooperative effort. It is very cost effective as far as we are concerned, an excellent way to get the message out about the Consumer Information Catalog. The IRS is pleased, also, because it is an image building sort of thing for them to do.

Senator GARN. If anybody needs it, they do. [Laughter.]

Ms. NASIF. Basically the people in the IRS regional centers are inserting the flyer in orders that are already going to be mailed, so it really is not that much of an additional burden on them. We are anticipating to again see distribution of over a million booklets as a result of the promotion.

Senator GARN. Did each of the regional IRS centers participate?

Ms. NASIF. Yes, sir. Last year there were nine IRS regional centers. They have combined a couple of them, so this year we are distributing through seven.

Senator GARN. How did you receive data on the number of orders generated through this initiative?

Ms. NASIF. Our distribution facility in Pueblo was able to easily track catalog orders coming in as a result of the IRS flyers because, in the flyer, we instructed people to write to a unique address. We told them to write to Department 52, so just by tallying up the mail receipts each day to that address we knew how many people were asking for the catalog as a result of that flyer. Then we were interested in finding out what the ordering rate was, so we sent coded catalogs back to all of those people who had requested it as a result of receiving the flyer. By analyzing the returned coded catalogs coming in we were able to figure out how many orders were generated back in the facility and also how many booklets were requested on each of the order blanks. So that is how we were able to determine that 1.3 million booklets were requested as a result of this one promotion.

SUBMITTED QUESTIONS

Senator GARN. I have some more technical questions for you. Unless any of you have anything else you would like to say, I will submit the remainder of my questions, as well as questions from Senator Huddleston, for the record.

Ms. NASIF. Thank you very much.

Senator GARN. Thank you.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by Senator Garn

OTHER SERVICES

Question: In your original Fiscal Year 1983 budget justification, you estimated that $38,000 would go for other services. Your current Fiscal Year 1983 estimate now shows that you will spend $155,000. Please explain the differences between the estimates for this account.

Answer: The increase of $117,000 to $155,000 is comprised of the following:

- $65,000 in computer time which was a functional transfer from the General Services Administration (GSA) General Management and Administration, Salaries and Expense Account. That account reflects a corresponding decrease.
- $52,000 in additional funds recommended by this Subcommittee and approved by Congress for public service and other promotional activities.

CATALOG DEMAND

Question: During Fiscal Year 1983, you estimate that approximately 18 million Catalogs will be distributed. What was your actual experience in Fiscal Year 1982 and what do you anticipate for Fiscal Year 1984?

Answer: In Fiscal Year 1982, we printed 20.7 million Catalogs. In Fiscal Year 1984, we plan to distribute 18 million Catalogs.

Question: During Fiscal Year 1982, consumers requested over 14.5 million publications. What do you expect the requests for publications will be in Fiscal Year 1983 and Fiscal Year 1984?

Answer: We estimate publication distribution in Fiscal Year 1983 to be about 10 million. This decrease reflects the anticipated results of the loss of United States Department of Agriculture free publications and the establishment of our user fee.

In Fiscal Year 1984, we expect a modest increase to 11 million publications.

MEDIA HOTLINE

Question: The media hotline at CIC helps consumer reporters reach Federal officials who can provide information on specific Federal programs affecting consumers.

How many CIC employees were responsible for manning this hotline in Fiscal Year 1982?

Answer: Our four media specialists take hotline calls as part of their ongoing duties.

Question: Do you plan to have the same number in Fiscal Year 1983 and Fiscal Year 1984?

Answer: Yes, we will have the same number.

Question: What are the hours that the hotline is in operation?

Answer: It is in operation from 8:00 a.m. to 6:00 p.m.

Question: How many times a day was the hotline used in Fiscal Year 1982?

Answer: We receive ten to fifteen calls a day. That is up slightly over last year.

USER FEES

Question: Throughout the year CIC has continued to foster interagency cooperation on consumer issues by chairing monthly meetings of the Consumer Education and Information Liaison (CEIL). One of the topics discussed at these meetings has been the establishment of user fees.

What has been the consensus of CEIL members on the impact of CIC user fees on consumers?

Answer: Based on the results of the CIC study:

1) They are concerned about reducing consumer use of Federal information, especially in health and safety areas and on subjects important to low-income consumers.

2) They would be more enthusiastic if they could directly benefit from collection of user fees. Under 31 U.S. Code 483a, the money goes to the U.S. Treasury.

3) They understand CIC is a good vehicle for implementing the Administration's policy on user fees and there is optimism that CIC will make the user fee program a success.

Question: Have agencies which have imposed user fees experienced any drop-offs in the demand for publications?

Answer: The U.S. Department of Agriculture (USDA) is the only agency that is currently considering a user fee program for publications, but it is not operational at this time. In 1982, USDA's Economic Research Service (ERS) and the Statistical Reporting Service (SRS) have implemented user fees for their statistical periodicals. The number of subscriptions for these periodicals has dropped 85% and 90% respectively since the addition of the user fees. The agencies are planning various marketing initiatives during Fiscal Year 1983 to increase subscriptions.

Question: During the fall of 1982, CIC developed new print public service advertising campaigns and distributed these print ads to all daily and weekly newspapers and major consumer magazines.

How did these new public service advertising campaigns differ from past campaigns?

Answer: During the fall of 1982, CIC staff designed, developed and distributed new print public service advertisements for use by magazines and newspapers. These ads promote Federal consumer information by offering the free Consumer Information Catalog. In the past all of our print advertisements were designed and distributed by a professional advertising agency contractor as part of a multimedia public service advertising campaign.

Question: What was the cost of developing these new campaigns?

Answer: The total cost of these print advertisements was approximately $8,000. The advertising space is donated free. In 1980, the professional advertising agency charged $17,000.

Question: Based on the information received from your user fee test last year, you anticipate a 31-47% decrease in the number of orders received with the addition of the $1.00 user fee.

In order to attract new users of the Catalog, this Subcommittee recommended and Congress approved providing you an additional $52,000 for public service campaigns in Fiscal Year 1983.

Do you intend to re-issue previous public service campaigns or will you develop new campaigns with these additional funds?

Answer: We plan to re-issue television public service announcements from a previously produced campaign. In addition, we plan to develop public service announcements in-house for the radio and print media.

Question: How much do you intend to spend in Fiscal Year 1984 on campaigns?

Answer: We plan to re-release previously produced television public service announcements and develop new materials in-house for the radio and print media. We estimate that the preparation and distribution of these public service materials for the broadcast and print media will cost approximately $50,000 to $55,000.

CONSUMER CONFERENCES

Question: During Fiscal Year 1982, CIC staff members participated in national consumer conferences designed to bring together consumer affairs professionals from government, private industry, education and consumer organizations. How many conferences did CIC staff participate in?

Answer: The CIC staff participated in 14 national consumer conferences in Fiscal Year 1982 at a cost of $3,600.

Question: Where were these conferences held?

Answer: Information on the location of conferences is provided in the chart that follows.

Question: What were the costs for each staff member to attend these conferences?

Answer: The cost of each conference is listed in the following chart.

Senator Garn—Continued

CONFERENCE	CITY	PARTICIPANT'S TITLE	TOTAL COST
Society of Consumer Affairs Professionals' (SOCAP) Pathways to the Future Conf.	Los Angeles	Agency Liaison Coordinator	$ 747
The Food and Drug Law Institute's Annual Educational Conf.	DC	Consumer Information Specialist	$ 70
Consumer Federation of America's Annual Conf.	DC	Agency Liaison Coordinator	$ 190
SOCAP's Annual Spring Conf.	Boston	Consumer Information Specialist	$ 457
American Council on Consumer Interests Annual Conf.	Columbus, OH	Consumer Information Specialist	$ 534
Middle Atlantic Conf. on Consumers	Cherry Hill, NJ	Consumer Information Specialist	$ 122
USDA's NE Region Exchange Workshop	DC	Consumer Information Specialist	$ 50
Nat'l Assoc. of Consumer Agency Administrators Conference	DC	Agency Liaison Coordinator	$ 110
Nat'l Food Policy Conf.	DC	Consumer Information Specialist	$ 160
American Library Assoc. Annual	Philadelphia	Agency Liaison Coordinator	$ 237
International Conf. of Govt. Publishers, Librarians, and Users	Saro. Springs NY	Media Specialist	$ 187
Eastern Consumer/COCO Nat'l Conf.	Carlisle, PA	Agency Liaison Coordinator	$ 275
*Mid-American Consumer Conf.	Okla. City	Agency Liaison Coordinator	$ 150

Senator Garn—Continued

CONFERENCE	CITY	PARTICIPANT'S TITLE	TOTAL COST
*SOCAP's 9th Annual Convention	St. Louis	Agency Liaison Coordinator	$ 295
		TOTAL	$ 3,584

* Conferences held in FY 1983 both funded from FY 1982 appropriation in order to receive discounts for early registration payment.

Question: How many conferences do you anticipate attending in Fiscal Year 1983 and Fiscal Year 1984?

Answer: We anticipate attending approximately 15 national consumer conferences in Fiscal Year 1983 and Fiscal Year 1984, approximately the same number as Fiscal Year 1982.

REIMBURSABLE PROGRAM

Question: Participating agencies pay for the cost of distributing free publications through CIC. For the record, please provide a table showing the distribution cost by agency for 1982, 1983 and your estimate for 1984. Include in this table the initial charge to the agency and whether any money was refunded to the agency during these years.

Answer: The following table shows distribution costs by agency for 1982, 1983 and estimated for 1984.

Senator Garn—Continued

AGENCY DISTRIBUTION CHARGES

Federal Agency	Initial Estimate FY 1982	FY 1982 Final	FY 1983*	FY 1984
Department of Agriculture	$2,202,000	$867,150	$851,100	$1,252,400
Civil Aeronautics Bd.	58,000	3,687	72,600	31,000
Dept. of Commerce	72,000	---	26,400	---
Consumer Prod. Safety Comm.	14,000	---	---	---
Dept. of Education	196,000	103,336	151,700	173,600
Dept. of Energy	297,000	3,687	263,900	80,600
Environmental Prot. Agency	---	---	33,000	31,000
Fed. Deposit Ins. Corp.	---	---	33,000	43,400
Fed. Reserve Board	72,000	66,465	85,800	99,200
Federal Trade Comm.	43,000	---	33,000	18,600
General Services Admin.	116,000	25,810	33,000	37,200
Dept. of Health and Human Svs.	2,695,000	1,971,828	3,035,100	2,889,200
Dept. of Housing and Urban Dev.	312,000	236,169	303,500	396,800
Dept. of Interior	225,000	107,023	250,700	186,000
Library of Congress	---	---	---	12,400
Dept. of Justice	7,000	7,000	99,000	117,800
Dept. of Labor	261,000	154,956	343,100	254,200
Securities and Exchange Comm.	51,000	25,810	46,200	37,200
Small Business Admin.	---	---	6,600	37,200
Dept. of Transportation	587,000	158,643	870,900	465,000
Treasury Department	15,000	---	19,800	---
Veterans Administration	22,000	18,436	39,600	37,200
TOTALS	$7,245,000	$3,750,000	$6,598,000	$6,200,000

* Although the estimated total has been reduced to $5,200,000, initial estimates for individual agencies will not be reduced until the mid-year review in April 1983.

STANDARD LEVEL USER CHARGES

Question: Your Fiscal Year 1983 budget contains $67,000 for standard level user charges. This was an increase of $33,824 over the Fiscal Year 1982 level. One reason for the Fiscal Year 1983 increase was GSA's proposed increased lease charge for space. As you know, Section 108 of the Continuing Resolution (P.L. 97-377) provided that no agency shall pay GSA a higher rate per square foot than the Fiscal Year 1982 rate.

In calculating your Fiscal Year 1983 request for these user charges, how much was included for the expected GSA increase?

Answer: The entire increase of $33,824 was included to cover the expected GSA increase.

Question: Are these funds, which are now in excess of your actual requirements, being used for other purposes -- or will they be used in part to offset your requirements for a Fiscal Year 1983 pay supplemental?

Answer: The availability of these "windfall" funds has come at an opportune time. With the implementation of our user fee and the withdrawal of the U.S. Department of Agriculture from our program we anticipate a reduction in the number of Catalog orders we receive. We would like to utilize these newly available funds to print up to two million additional Consumer Information Catalogs to enable us to maintain the same level as in Fiscal Year 1982. This would help us reach new audiences and generate additional user fee revenues.

AGRICULTURE PUBLICATIONS

Question: Beginning in Fiscal Year 1983, the U.S. Department of Agriculture (USDA) eliminated distribution of free publications through the Consumer Information Center.

What has been the impact of no longer receiving these USDA publications?

Answer: The USDA withdrawal of free publications from the Consumer Information Catalog is severely impacting the CIC distribution program. Prior to Fiscal Year 1983, USDA was the second largest provider of free publications for the Catalog. During Fiscal Year 1982, CIC distributed 3.4 million USDA publications and each edition of the Catalog contained an average of 25 free USDA titles. The loss of the USDA free titles is resulting in an overall reduction in the volume of publications distributed by the CIC.

The withdrawn USDA publications address important topics of concern to consumers such as food (buying, growing and preserving), nutrition, housing and money management. Loss of these popular topics has meant reduced media promotions for the CIC. Also, more than 50 percent of the publications listed in the Catalog were free prior to Fiscal Year 1983 and the USDA withdrawal has resulted in the current percentage of 41 percent. This reduction in the number of free titles has lessened the appeal of the Catalog and we believe this will affect the success of our user fee program. The change in the percentage of free booklets will also require that expensive technical changes be made to the CIC's public service television advertisements before the psa's can be re-issued. (The previously recorded spots refer to the fact that "more than half of the booklets are free".) These changes will cost approximately $12,000.

Question: How many USDA free publications do you currently have in Pueblo?

Answer: There are currently 27 free USDA titles in Pueblo and the total stock is 1,157,827 publications.

Question: How much would it cost to fund the distribution of these publications?

Answer: The estimated distribution cost of the USDA free publications is approximately $312,613. This is based on Government Printing Office (GPO) current average postage and handling charges of approximately 27¢ per publication.

Question: Please provide for the record a chart showing the titles of the USDA booklets currently in Pueblo, the most recent distribution statistics, quantities on hand, printing costs, and an estimated retail value if these publications were sold through GPO.

Answer: The following chart contains this information.

USDA Publications in Pueblo, Colorado

Title	FY 82 Dist.	Stock in Pueblo	Est. Price*	Retail Value of Pueblo Stock*
Keeping Family/Household Records	260,865	55,100	$ 2.25	$ 123,975.00
How to Buy Food Economically	289,850	2,400	3.25	7,800.00
Providing for Your Heirs	203,850	29,600	2.25	66,600.00
Your Money's Worth in Foods	49,935	5,200	3.50	18,200.00
The Thing the Professor Forgot	191,100	69,650	2.75	191,537.50
Landscaping Around the Home	176,539	40,800	2.25	91,800.00
Home Food Preservation	174,100	1,645	4.50	7,402.50
Do's and Don'ts of Home Insulation	167,290	44,000	2.50	110,000.00
Save $ With Large Cuts of Meat	151,600	26,900	2.25	60,525.00
Food Safety for the Family	113,400	43,200	2.25	97,200.00
Money Saving Tips on Home Appl.	116,374	42,000	2.25	94,500.00
Selling Property: Brokers, Title...	101,600	39,600	2.25	89,100.00
Landscaping to Cut Fuel Costs	92,000	58,000	2.25	130,500.00
Meat and Poultry Products	93,500	33,000	2.50	82,500.00
Wood Heat	82,000	86,950	2.25	195,637.50
Remodeling A Home	88,020	60,600	2.50	151,500.00
Storage Areas	84,200	43,200	2.50	108,000.00
Weatherize Your Mobile Home	56,000	92,000	2.25	207,000.00
Spring Lawn Care	76,975	9,800	2.25	22,050.00
Year Round Gardening W/Greenhouse	102,600	36,200	2.25	81,450.00
Growing Vegetables in Containers	57,050	49,950	2.25	112,387.50
Safe Handling Tips--Meat & Poultry	43,250	30,500	2.25	68,625.00
Fall Lawn Care	62,400	9,600	2.25	21,600.00
Fruits and Nuts	56,860	56,640	4.75	269,040.00
When You Move-Do's & Don'ts	40,770	63,975	2.25	143,943.75
Visiting A Dairy Farm	49,400	78,893	3.00	236,679.00
Where You Shop Is Important	50,700	48,424	2.25	108,954.00
		1,157,827		$ 2,898,506.75

Distribution Costs of Pueblo Stock (@ 27¢) = $ 312,613.29

Printing Costs of Pueblo Stock (@ 9¢) = $ 104,204.43

Retail Value (at est. price) of Pueblo Stock $2,898,506.75

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* CIC estimate of free booklet prices if sold through the U.S. Superintendent of Documents, U.S. Government Printing Office.

Question: If CIC were to resume distribution of these booklets, how many could you distribute this year and in Fiscal Year 1984?

Answer: Since our summer Catalog has already gone to the printer, the first Catalog in which we could list the USDA publications would be in the fall edition. The fall edition is scheduled for release in August. Adding these titles to our fall Catalog would fill in several significant gaps in consumer information, greatly increasing its value to consumers as well as increasing user fee revenues. However, because of the late release date we estimate that approximately 165,000 USDA publications could be distributed in Fiscal Year 1983, and the remaining 992,827 publications would be distributed in Fiscal Year 1984.

QUESTIONS SUBMITTED BY SENATOR HUDDLESTON

SURVEYS

Question: What kind of a return rate are you getting on your audience survey of 2,000 randomly selected outgoing orders?

Answer: Response rates are generally between 30 and 35 percent.

Question: What kind of a return rate are you getting on your publication evaluation survey?

Answer: Response rates are generally between 20 and 25 percent.

CONSUMER INFORMATION CATALOG

Question: What is the cost of producing the Consumer Information Catalog?

Answer: We are requesting $423,000 as the cost of producing the Catalog in Fiscal Year 1984. This includes printing and transportation expenses.

Question: How was the decision to produce 18 million for Fiscal Year 1983 reached? How does the 18 million compare with the number distributed in previous years?

Answer: The decision to print 18 million copies was arrived at during the time of formulating our Fiscal Year 1983 budget request. Based on predetermined expenses in such areas as personnel costs, space rental charges, and maintenance and utilities, there were sufficient funds remaining to be allocated from the targeted total that would enable the printing of 18 million copies.

At the present time, we project that the printing of 20 million copies will be possible in Fiscal Year 1983 provided that we receive our supplemental pay request and provided that we are allowed to reprogram our newly available space rental funds into printing the Catalog.

We normally print approximately 20 million copies of the Consumer Information Catalog each year.

Question: How many do you expect to be distributed in Fiscal Year 1984?

Answer: We expect to distribute approximately 18 million copies in Fiscal Year 1984.

USER FEE

Question: How was the $1.00 user fee to be charged on Catalog orders for two or more free publications derived?

Answer: Our user fee test looked at four options for assessing a user fee. These were:

- 50¢ for any free publications.
- 50¢ for four or more free publications.
- $1.00 for any free publications.
- $1.00 for four or more free publications.

The test showed that there was little difference between how people respond to 50¢ versus $1.00 user fees. It also showed that ordering dropped off less under a threshold system where consumers could obtain some small amount of booklets free.

It was decided, in consultation with the Senate Appropriations Subcommittee staff that to maximize revenue we should use $1.00 as the fee. While the staff agreed with the idea of retaining free access to consumer information, they thought that the four or more threshold was too high. They therefore directed that the user fee be $1.00 for two or more free publications.

Question: Will this actually cover your costs?

Answer: No it will not. The user fee is not intended to provide full cost recovery; it will only partially offset the Government's cost of providing these services. We anticipate receipt of $150,000 during the remainder of Fiscal Year 1983.

Question: Will a single free publication still be sent without charge?

Answer: Yes it will. Consumers will be able to get one free publication without paying the fee.

REIMBURSABLE PROGRAM

Question: Please explain the other services (reimbursable) request of $6.2 million.

Answer: This estimate was made in the spring of 1982 and covers the total cost to Federal agencies of distributing their free consumer publications from Pueblo, Colorado during Fiscal Year 1984. Based in part on actual experience in distribution during the past year, we now project that the total will be considerably lower, perhaps by as much as thirty to forty percent less. When the actual bills are sent to agencies in the spring of 1984, they will reflect the lower costs.

CONSUMER PRODUCT SAFETY COMMISSION

STATEMENT OF NANCY HARVEY STEORTS, CHAIRMAN

ACCOMPANIED BY:

STUART M. STATLER, COMMISSIONER

SAM ZAGORIA, COMMISSIONER

EDITH BARKSDALE SLOAN, VICE CHAIRMAN

RICK TINSWORTH, DIRECTOR, OFFICE OF BUDGET, PROGRAM PLANNING AND EVALUATION

EDGAR MORGAN, EXECUTIVE DIRECTOR

MARTIN HOWARD KATZ, GENERAL COUNSEL

OPENING REMARKS

Senator GARN. If we could have the Consumer Product Safety Commission come up, please.

The Consumer Product Safety Commission is an independent regulatory agency that was established on May 4, 1973, and is responsible for protecting the public against unreasonable risks of injury from consumer products. The Commission also develops uniform safety standards for consumer products and promotes research and investigation into the causes and prevention of product-related deaths, illnesses, and injuries.

Just a note of clarification. In discussing your fiscal year 1984 budget, I will be referring to two documents. The first is your budget justification submitted to Congress in September which contains your request to OMB and also their recommendations. The second document is the budget justification submitted in January which represents the administration's official budget recommendations.

This year the January budget contains a request for $32 million, which represents a decrease of approximately $1.5 million, or 5 percent, from the fiscal year 1983 level.

I also see that you have a nine-page prepared statement. As I said to the previous agency witnesses, we would appreciate it if you would present a summary of your statement at this time. We will place the entire statement in the record. We are certainly happy to have each of you with us this morning. If you would like to proceed.

Ms. STEORTS. Thank you very much, Mr. Chairman.

INTRODUCTION OF ASSOCIATES

I would like to introduce the people with me: Vice Chairman Edith Sloan, Commissioner Sam Zagoria, Commissioner Stuart Statler, and to my left, Rick Tinsworth, our Director of the Office of Program Planning and Evaluation, Ed Morgan, Executive Director, and Martin Katz, General Counsel.

OPENING STATEMENT

The Consumer Product Safety Commission has submitted a fiscal year 1984 budget request of $32 million, in consonance with the Office of Management and Budget, and down from its request of $34,995,000 last September. The funds requested in this budget are slightly less than the $32,164,000 available to CPSC in fiscal year 1982 and 6 percent less than the resources the Commission anticipates in fiscal year 1983. Our anticipated funding level in fiscal year 1983 consists of an appropriation of $33,508,000 and a supplemental request of $581,000 approved by the Office of Management and Budget to cover a portion of our increased pay costs in fiscal year 1983. Our authorized funding level for fiscal year 1983 is $35 million.

In fiscal year 1981, the Commission's appropriation was $42,140,000. Since the last reauthorization, the Commission has streamlined management and reduced operating expenses in order to maintain an effective organization at lower resource levels. We plan to continue strict control of expenditures for items such as travel, printing, training, and computer utilization in fiscal year 1984. Our goal is to insure that the maximum funds are available for the staff and contracts needed for the agency's priority projects.

PRIORITY PROJECTS

For the first time in the Commission's history, preparation of the fiscal year 1984 budget began with the selection of priority projects for the upcoming fiscal year. Identification as priority projects reflects the Commission's determination that targeted problem areas require full funding to more urgently accomplish significant reductions in deaths and injuries. I would like to briefly describe the nine priorities chosen by the Commission for fiscal year 1984.

CHAIN SAWS

Each year an estimated 28,000 injuries requiring medical attention result from chain saw kickback.

CHLOROCARBONS

Long-term animal testing of two chemicals used in dry cleaning and as paint removers and solvents will be completed in fiscal year 1983. Preliminary indications are that both compounds may cause cancer.

GAS-HEATING EQUIPMENT

Gas heating systems account for the majority of carbon monoxide deaths in the home—about 290 deaths each year—and for a significant number of fire-related deaths and injuries.

INDOOR AIR QUALITY

The Commission is concerned about possible health problems caused by pollutant emissions such as carbon monoxide, nitrogen oxides, and formaldehyde from fuel-fired appliances.

JUVENILE SPORTS EQUIPMENT

Children between the ages of 5 and 14 suffer over 900,000 injuries associated with baseball, football, and soccer each year.

PARTICLEBOARD AND PANELING

Acute and chronic health hazards from formaldehyde emissions of pressed wood products in the home are of concern to CPSC.

POISON PREVENTION PACKAGING

In fiscal year 1984, CPSC will evaluate ingestion data and, if appropriate, develop proposals to require child-resistant packaging for certain camphorated products, petroleum distillates, and topical drugs. In addition, as we continue to see more dual-purpose closures in the marketplace, CPSC is concerned that this trend will cause an increase in accidental ingestions of dangerous drugs by children. The Commission will continue to monitor the data and, if necessary, develop regulations regarding the use of dual-purpose closures.

SAFETY FOR OLDER CONSUMERS

Older consumers may have physical disabilities which make it difficult for them to react to or prevent accident situations. In fiscal year 1984, the Commission will undertake a major outreach effort to reach America's 14 million older consumers, to address the hazards of falls, fires, and scalds.

SMOLDERING IGNITION

Fire is the fourth leading cause of accidental death in the United States and the second leading cause of accidental death in the home. Upholstered furniture fires cause more deaths than any other product under CPSC jurisdiction. Mattress and bedding fires cause an estimated 1,000 deaths annually. In fiscal year 1984, the Commission will continue its cooperative efforts with the furniture industry to improve the resistance of upholstered furniture to cigarette ignition and will conduct a program to warn consumers of the fire hazard.

OTHER SAFETY INITIATIVES

The Commission's selection of priority projects for fiscal year 1984 and allocation of full funding resource levels to these priorities represents the continuation of a process which we began in fiscal year 1983. However, focusing resources on priorities is only one aspect of the agency's approach to accomplishing its mandate to protect the American public from unsafe consumer products. CPSC has reacted to reduced resource levels and the call for increased cooperation with the private sector by continuing emphasis on programs that involve cooperative product safety efforts.

VOLUNTARY STANDARDS

During fiscal year 1982, the Commission continued its cooperative efforts with industry, trade associations, and voluntary standards organizations to develop voluntary standards which address hazards associated with consumer products. Examples of cooperative efforts between Commission staff and the private sector include: Electric blankets, automatic garage door openers, and many others. In fiscal year 1983, the Commission is working on about 40 voluntary standards projects.

PRODUCT RECALLS

The Commission is continuing to stress its recall program, a proven, cost-effective means of getting unsafe products off the market quickly. Under section 15 of the Consumer Product Safety Act, industry must report potentially hazardous product defects to the Commission. If corrective action is warranted, the Commission asks industry to take steps voluntarily to remove the hazardous products from the marketplace. Of the almost 1,200 corrective action plans initiated by the Commission, all but approximately 12 have been voluntary agreements. We will continue to encourage industry to report suspected defects and to work out voluntary programs with us.

A recent example of this effective voluntary approach was the cooperative effort with McDonald's Corp., which resulted in the voluntary decision to stop promotion and distribution of Playmobil toys. This decision was made when it was learned by McDonald's the toys failed to comply with our regulation designed to prevent choking hazards to children under the age of 3.

INDUSTRY AND CONSUMER OUTREACH EFFORTS

The goal of the Consumer Product Safety Commission is to improve and promote product safety. Information and education are important components of our overall product safety program. Cooperation with industry and consumers is essential to achieve results, especially in these times of recent budget cuts. I would like to mention several examples of our cooperative safety initiatives, which include a National Conference on Product Safety which over approximately 484 people attended. It was an absolutely outstanding event. Also, the holiday toy safety campaign launched at the Capitol Children's Museum in early December.

Nationwide cooperative efforts are underway to have a smoke detector in every residence, hopefully by the end of 1983.

QUICK ACTION

One of the strengths and benefits of this agency is its ability to provide fast and preventive action when there is the potential for an expanding disaster.

One example I would like to bring to your attention is the example in Barnwell, S.C., where five young people were killed by asphyxiation. Our investigation, which began the next day in cooperation with State and local agencies as well as industry representatives, indicated that the deaths were caused by carbon monoxide poisoning due to inadequate venting of an LP gas space heater. We immediately, through our field office in Atlanta, launched a statewide information campaign with suggested remedies for the thousands of other such heaters which could have been similarly installed in South Carolina.

CONCLUSION

With that brief description—and I think you will note I left out a lot of detail, and I hope it will be included in the record.

Senator GARN. It will. I guarantee it. [Laughter.]

Ms. STEORTS. Thank you, Mr. Chairman. Let me assure you that the Commission is fully committed to the task of providing product safety for every American consumer and insuring the most effective use of every dollar appropriated for our work.

That is the Commission's statement.

[The statement follows:]

STATEMENT OF NANCY HARVEY STEORTS

Mr. Chairman and Members of the Subcommittee:

The Consumer Product Safety Commission has submitted a Fiscal Year 1984 Budget Request of $32,000,000, in consonance with the Office of Management and Budget and down from its request of $34,995,000 last September. The funds requested in this budget are slightly less than the $32,164,000 available to CPSC in FY 1982; and six percent less than the resources the Commission anticipates in FY 1983. Our anticipated funding level in FY 1983 consists of an appropriation of $33,508,000 and a supplemental request of $581,000 approved by the Office of Management and Budget to cover a portion of our increased pay costs in FY 1983. Our authorized funding level for FY 1983 is $35 million.

In FY 1981, the Commission's appropriation was $42,140,000. Since the last reauthorization, the Commission has streamlined management and reduced operating expenses in order to maintain an effective organization at lower resource levels. We plan to continue strict control of expenditures for items such as travel, printing, training, and computer utilization in FY 1984. Our goal is to ensure that the maximum funds are available for the staff and contracts needed for the agency's priority projects.

PRIORITY PROJECTS

For the first time in the Commission's history, preparation of the FY 1984 Budget began with the selection of priority projects for the upcoming fiscal year. Identification as priority projects reflects the Commission's determination that targeted problem areas require full funding to more urgently accomplish significant reductions in deaths and injuries. I would like to briefly describe the nine priorities chosen by the Commission for FY 1984.

CHAIN SAWS

Each year an estimated 28,000 injuries requiring medical attention result from chain saw "kickback" (the sudden and unanticipated jump of a chain saw toward the operator). In 1980, 25 deaths resulted from kickback. In FY 1984, the Commission will continue working toward development of a standard to address the kickback hazard. In addition, CPSC will work on strategies to address the 95,000 non-kickback injuries which occur each year, and will conduct an information and education program to inform consumers how to use chain saws safely.

CHLOROCARBONS

Long-term animal testing of two chemicals used in dry cleaning and as paint removers and solvent will be completed in FY 1983. Preliminary indications are that both compounds may cause cancer. In FY 1984, CPSC will continue to analyze the potential risk to consumers from exposure to these chemicals and will consider remedial options.

GAS HEATING EQUIPMENT

Gas heating systems account for the majority of carbon monoxide deaths in the home (about 290 deaths each year) and for a significant number of fire-related deaths and injuries. In FY 1984, the Commission will work with voluntary standards groups to improve the safety of these products and will conduct an extensive outreach program to increase consumer awareness of potential hazards.

INDOOR AIR QUALITY

The Commission is concerned about possible health problems caused by pollutant emissions such as carbon monoxide, nitrogen oxides, and formaldehyde from fuel-fired appliances. Studies indicate that living in homes with gas stoves may have increased the occurrence of respiratory diseases in children. In FY 1984, the Commission will continue to conduct tests and work cooperatively with manufacturers to address these problems.

JUVENILE SPORTS EQUIPMENT

Children between the ages of 5 and 14 suffer over 900,000 injuries associated with baseball, football, and soccer each year. In FY 1984, the Commission will conduct studies of injuries, test protective equipment, and develop proposals to improve safety in the juvenile sports area. These proposals may include equipment improvements and information and education programs.

PARTICLEBOARD AND PANELING

Acute and chronic health hazards from formaldehyde emissions of pressed wood products in the home are of concern to CPSC. In FY 1984, the Commission will continue the evaluation of formaldehyde emissions and the assessment of consumer exposure and risk, and will continue to work with an industry task force created to examine this problem. This work will provide the basis for determining whether any action is necessary to reduce the possible health hazards.

POISON PREVENTION PACKAGING

In FY 1984, CPSC will evaluate ingestion data and, if appropriate, develop proposals to require child-resistant packaging for certain camphorated products, petroleum distillates and topical drugs. In addition, as we continue to see more "dual purpose closures" (those caps that can be used in either a child-resistant or non-child-resistant mode) in the marketplace, CPSC is concerned that this trend will cause an increase in accidental ingestions of dangerous drugs by children. The Commission will continue to monitor the data and, if necessary, develop regulations regarding the use of dual purpose closures.

SAFETY FOR OLDER CONSUMERS

Older consumers may have physical disabilities which make it difficult for them to react to or prevent accident situations. In FY 1984, the Commission will undertake a major outreach effort to reach America's 14 million older consumers, to address the hazards of falls, fires and scalds.

SMOLDERING IGNITION

Fire is the fourth leading cause of accidental death in the United States, and the second leading cause of accidental death in the home. Upholstered furniture fires cause more deaths than any other product under CPSC jurisdiction. Cigarette ignition of upholstered furniture causes an estimated 1,150 deaths, 4,200 injuries, and 24,600 fires annually. Mattress and bedding fires cause an estimated 1,000 deaths annually. In FY 1984, the Commission will continue its cooperative efforts with the furniture industry to improve the resistance of upholstered furniture to cigarette ignition and will conduct a program to warn consumers of the fire hazard. In addition, the agency will analyze injury data associated with mattress and bedding fires.

OTHER SAFETY INITIATIVES

The Commission's selection of priority projects for FY 1984 and allocation of full funding resource levels to these priorities represents the continuation of a process which began in FY 1983. However, focusing resources on priorities is only one aspect of the agency's approach to accomplishing its mandate to protect the American public from unsafe consumer products. CPSC has reacted to reduced resource levels and the call for increased cooperation with the private sector by continuing emphasis on programs that involve cooperative product safety initiatives.

VOLUNTARY STANDARDS

During FY 1982, the Commission continued its cooperative efforts with industry, trade associations, and voluntary standards organizations to develop voluntary standards which address hazards associated with consumer products. Examples of cooperative efforts between Commission staff and the private sector include: electric blankets, automatic garage door openers, ladders, water heaters, quartz heaters, kerosene heaters, baby walkers, and log splitters, to name just a few. In FY 1983, the Commission is working on about 40 voluntary standards projects. To further improve cooperation between the Commission and private sector organizations a coordinating committee to provide a forum for policy level discussions of voluntary standards activities has been established with CPSC and the American National Standards Institute (ANSI). The Commission believes this effort will help to expand and stimulate voluntary standards activities in FY 1983 and later years.

PRODUCT RECALLS

The Commission is continuing to stress its recall program --- a proven, cost-effective means of getting unsafe products off the market quickly. Under Section 15 of the Consumer Product Safety Act, industry must report potentially hazardous product defects to the Commission. If corrective action is warranted, the Commission staff asks industry to take steps voluntarily to remove the hazardous products from the marketplace. Of the almost 1,200 corrective action plans initiated by the Commission, all but approximately a dozen have been voluntary agreements. We will continue to encourage industry to report suspected defects and to work out voluntary plans with us.

A recent example of this effective voluntary approach was the cooperative effort with McDonald's Corporation, which resulted in the voluntary decision to stop promotion and distribution of Playmobile toys. This decision was made when it was learned that toys failed to comply with our regulation designed to prevent choking hazards to children under the age of three.

We have also been very successful in working with different manufacturers of similar products when we detect a safety hazard common to that type of product. For example, we have recently achieved significant safety improvements in metal clamp lamps, mesh-sided cribs and playpens, indoor gym houses for children, spas and hot tubs, LP gas "cabinet heaters" and squeeze toys. We are currently working with several other industry groups on other safety problems.

INDUSTRY AND CONSUMER OUTREACH EFFORTS

The goal of the Consumer Product Safety Commission is to improve and promote product safety. Information and education are important components of our overall product safety program. Cooperation with industry and consumers is essential to achieve results -- especially in these times of reduced budgets. I would like to mention several examples of our cooperative safety initiatives.

On December 6 and 7, 1982, the Commission sponsored a National Conference on Product Safety. We had 484 registrants, and 389 of those were representatives of industry. The exchange of information and concerns was invaluable. The Commission will continue to place special emphasis on cooperation with industry and consumers in the future.

Our Second Annual Holiday Toy Safety Campaign was launched at the Capitol Children's Museum in early December 1982. The area of toy safety is extremely important and the Commission must continue to inform and educate parents about the need to purchase toys and other products which are safe for their children.

Nationwide cooperative efforts are underway by Commission staff to reach our goal of having a smoke detector in every residence. This campaign involves both industry and consumers and is a priority project in FY 1983. We all know that smoke detectors do save lives and every American home should be so protected.

QUICK ACTION

One of the strengths and benefits of this agency is its ability to provide fast and preventive action when there is the potential for an expanding disaster.

A recent example was the tragic deaths by asphyxiation of five young people in Barnwell, South Carolina. Our investigation, which began the next day in cooperation with state and local agencies, as well as industry representatives, indicated that the deaths were caused by carbon monoxide poisoning due to inadequate venting of an LP gas space heater. We immediately launched a statewide information campaign, with suggested remedies, for the thousands of other such heaters which may be similarly installed. We believe this campaign, which has developed considerable cooperative support, will save a number of lives.

CONCLUSION

With that brief description of CPSC's programs, let me assure you that the Commission is fully committed to the task of providing product safety for every American consumer and insuring the most effective use of every dollar appropriated for our work.

PERSONAL STATEMENT OF CHAIRMAN STEORTS

Ms. STEORTS. If you would allow me, I have just a few comments in a personal statement.

Senator GARN. Certainly.

Ms. STEORTS. The United States is in a period of fiscal austerity. We may have more than a $208 billion deficit in 1983 and perhaps close to a $189 billion deficit in fiscal 1984. All of us in the Federal Government have had to tighten our belts and streamline our budget requests. Resource levels for programs ranging from schools to housing have all been reduced. The Consumer Product Safety Commission has also had to tighten and streamline and accept reductions.

I spent many hours at the Office of Management and Budget explaining the Commission's programs and discussing our budget needs, and I met with a favorable hearing. These discussions resulted in our submitting to you our budget at the $32 million mark. I am confident, as one Commissioner, that we can fully fund our priority projects and continue many other important safety programs with $32 million in fiscal 1984.

I am equally confident that the economy will improve. And then, in the years to come, I sincerely hope that additional resources will be available to the Commission for additional safety programs.

Thank you very much, Mr. Chairman. Now I am pleased to respond to any of your questions.

PROGRAM EFFECTIVENESS

Senator GARN. Thank you.

I would just like to comment on your last statement. During the last couple of years I have sat through a lot of hearings in this subcommittee and others and we almost always seem to relate, or many people do, the amount of money to the success of a program. I don't think that always follows. Just because you have a certain budget, that does not necessarily mean you are doing a good job or a bad job. I could show you a lot of examples of Government agencies that have very large budgets that are not doing their job very effectively.

I would just submit for the record that budgets can be cut without hampering programs. The best example I know of is my own committee, the Senate Banking Committee. It had been run by someone who is obviously known as a fiscal conservative, Senator Proxmire, famous for his Golden Fleece of the Month Awards which everybody is very familiar with. Yet the 1980–81 budget, when I took over in 1981–82, we cut it 10 percent from what it was before I became chairman. The second budget year I kept it level. This year, the third year of my budget request, we are going up about 7 percent. But that leaves us 3 percent below the level actually expended 3 years ago.

At the same time, the Banking Committee undertook the biggest legislative program probably in that committee in 30 or 40 years, which resulted in the new money market accounts and other changes in banking laws.

So I just submit to those who always want to measure performance by number of dollars appropriated that there are ways and means by which effective jobs can be done, additional workload can be taken on, projects can be completed, and I think there is plenty of proof of that in different areas.

As I said, the Banking Committee has taken on a far bigger review of the entire financial structure of this country and has functioned at an operating level which was less than it was 3 years ago. There is still only one committee that spends less than the Senate Banking Committee.

So I add to your remarks that it is possible and that money should not be the sole determinant of whether we are doing a good job in whatever activities we are involved in.

BILL LANGUAGE

This year you are suggesting that several provisions contained in the fiscal year 1983 bill be deleted in fiscal year 1984. These provisions are: Rent in the District of Columbia, hire of passenger vehicles, GS-18 pay cap on consultant services, restricting funds to the acquisition/conversion of existing laboratories. Please provide for the record the reason for each of these proposed changes.

The reason I bring this up is these proposed changes are not noted in your budget justification. It would be a lot easier for the staff to review your budget if, in the future, you could make sure the language and format of your budget submission appears in the same form as the President's budget appendix.

Ms. STEORTS. We will be glad to submit that, Mr. Chairman.

[The information follows:]

BILL LANGUAGE

The Office of Management and Budget suggested deleting as much of the provisions in the proposed fiscal year 1984 bill as possible. OMB's intent was to simplify language and reduce the number of pages of the President's budget. The Commission agreed to eliminate the four provisions for the following specific reasons:

One. The reference to rent in the District of Columbia was eliminated because the Consumer Product Safety Act already provides at section 27(b)(8) that the "Commission shall also have the power to lease buildings or parts of buildings in the in the District of Columbia, without regard to the Act of March 3, 1877 (40 U.S.C. 34), for the use of the Commission * * *". Therefore, the language in the appropriation bill was considered unnecessary.

Two. The reference to hire of passenger vehicles was eliminated because this language is included in the general provisions of OMB's proposed appropriation language in the fiscal year 1984 Budget Appendix on page I-L35 (sec. 401).

Three. The reference to a GS-18 pay cap for consultant services was eliminated for the same reason as above. The general provision limitation is on page I-L36 (sec. 407).

Four. The reference to restricting funds to the acquisition and conversion of existing laboratories was deleted because section 32(b)(1) of the Consumer Product Safety Act contains requirements which necessitate the Commission to obtain advance approval from Congress for planning and construction of research, development, and testing facilities involving expenditures in excess of $100,000. The Commission believes this language provides adequate congressional oversight of laboratory expenditures and that the language in the previous appropriation bill is not necessary.

PAPERWORK REDUCTION

Senator GARN. Last year I asked you about the efforts you were making to reduce the paperwork burden imposed on the public. Before asking you that same thing this year, I would like to note, for the record, the progress this administration has made in reducing paperwork.

During 1983, Federal agencies will reduce the paperwork burdens imposed on the American public by 127 million hours, a 10-percent reduction from the approximately 1.3 million hours imposed during fiscal year 1982. The fiscal year 1983 reductions, combined with those achieved earlier, will result in a 29-percent reduction in the Federal paperwork known to exist in 1980, thus surpassing the 25-percent reduction goal established by the Paperwork Reduction Act. The total paperwork reduction since the Reagan administration took office in January 1981 will exceed 300 million hours, or 150,000 work-years, reflecting the President's strong determination to reverse the course of growing Federal regulation and paperwork.

Now that my speech and editorial is over, I see that your goal for fiscal year 1983 is to reduce paperwork by 37 percent. What steps are you taking to achieve this reduction?

Ms. STEORTS. Mr. Chairman, the 37-percent reduction that we have noted in our budget will address itself to two general areas. One is the modification of our sleepwear and general wearing apparel standard. There will be alternative tests in that particular area which will cut the paperwork by about half. The second area is the amendment of our mattress flammability standard.

The 37 percent that we achieved on the paperwork reduction was commended by OMB because our original level was 25 percent. We really feel that we are doing a good job in this area.

VIEWS OF COMMISSIONER ZAGORIA

Senator GARN. In September 1982 you forwarded your budget justification to the Congress requesting $34,995,000. In January, the administration's official request was transmitted requesting $32 million. As a result of this $2,995,000 decrease, all of the Commissioners, other than the Chairman, submitted a joint statement objecting to the action taken by OMB. What I would like each of you to do—Mrs. Sloan, Mr. Zagoria, Mr. Statler—is to briefly summarize your concerns over the pending budget request.

Sam, do you want to start?

Mr. ZAGORIA. Thank you very much. Good morning, Senator Garn.

The problem with the budget cut is that this is not just one that we have taken. This comes on top of a number of earlier cuts, which has meant that for this small agency we have sustained a larger cut in terms of dollars and of personnel than any other health and safety agency. As you indicated, dollars are not the sole criterion. But I would like to translate the dollars into what they mean.

We have a number of field investigators all around the country. We have had to eliminate a number of those. Those that are left have to wait until there are a number of investigations for them to undertake before they are permitted to go out. This means that by the time they go to investigate some horrible accident that cost lives or inflicted serious injuries, the trail is cold. The product may have been removed or may have been modified. The witnesses may no longer be there. We have to try to reconstruct the event over the telephone or by finding the witnesses.

I was very interested this weekend to read a fascinating article that told about the dioxin situation in Missouri. The tribute in that article went to one lone field investigator who for 10 years persevered in trying to make the connection between the problems of that small community and the waste dump that contained chemicals.

Now, we deal with chemicals, too. Some of the chemicals that wind up in waste dumps are used in consumer products. People use them in ways that are intimate; that touch on their skin or that go into their mouths. These are things that we have a health sciences staff to work with.

But our own staff, our health sciences people, the General Accounting Office pointed out we lost 32 percent of them in the past 2 years. Now, people say, "The administration has given you $32 million. That enables you to do a lot of things."

To try and put this cost-benefit picture in perspective, I picked up two recent articles that described the settlements in a couple of cases that involved product hazards. One was a $15 million case which involved a 4-year-old who used gasoline in an illegal plastic container. Another one was $25 million for a faulty heater valve.

Now, these two together are more than the total budget that the Commission has had for the last couple of years. If we think only about this little town in Missouri that now the Government is trying to buy out the entire town, that is our whole budget.

So when we talk about cutting down from the $35 million to $32 million, what we are talking about is fewer people out all around the country to do the jobs that need doing, fewer people in our research laboratories and in the offices keeping up with the literature. The frontiers of medical science are constantly being moved. They are constantly changing. Without adequate research, what do we do with these new consumer products?

People are counting on us. They want a feeling of security when they buy these products that they are safe for their children and their grandchildren. If we don't have the capability, if we don't have the technicians, the scientists, the field investigators to do the job adequately, we are going to fail in providing that feeling of security to Americans.

JOINT STATEMENT

I apologize for taking so much time. A lot of the specifics, I think, are spelled out in the joint statement that the three of us signed. The $35 million budget that we submitted was a rock bottom one that all four of us signed. All four of us agreed that was the minimum we needed to carry out the job. I submit the same is still true today.

Thank you, Senator.

Senator GARN. If I could, I would like the joint statement submitted for the record.

Mr. ZAGORIA. Certainly.

[The joint statement follows:]

JOINT STATEMENT OF VICE CHAIRMAN EDITH BARKSDALE SLOAN, COMMISSIONER STUART M. STATLER, AND COMMISSIONER SAM ZAGORIA

Dear Mr. Chairman:

In signing the Commission's FY 1984 budget request to the Congress, we indicated that we would submit a separate statement setting forth our additional views regarding the Commission's budget.

Current Request Level: The Commission's current FY 1984 budget request is $32 million and 595 FTE's. This figure represents a cut by the Office of Management and Budget (OMB) from the CPSC's September, 1982 request to OMB of $34,995,000 and 624 FTE's. We are concerned that, at the budget level currently acceptable to OMB, the CPSC's ability to carry out its Congressional mandate to reduce death and injury from consumer products will be substantially impaired. We believe that it may be helpful to the Subcommittee to put the OMB proposal in perspective.

Previous Reductions: The Consumer Product Safety Commission has sustained greater cuts in resources than any other health and safety agency in the Federal government, particularly in recent years. In FY 1981, the agency worked with a budget of $42,140,000 and 889 FTE's. In FY 1983, the CPSC is operating with levels of $33,508,000 and 636 FTE's -- reductions of 20 percent and 28 percent respectively.

A ten-year look reveals more clearly just how precipitous has been the decline in CPSC resources. In FY 1974 -- the first full year of the agency's operation -- the Commission received an appropriation of $30,900,000. Calculated in 1974 dollars, the Commission's current FY 1984 request is worth only $14,851,000, a reduction of 52 percent. Even the Commission's September request of $34,995,000 is extremely modest by the standard of 1974 dollars -- $16,241,000, a reduction of 47 percent.

Attached for your consideration is an analysis of the impact of current and previous budget reductions on the CPSC. As you can see, the agency has had to cancel or delay numerous critical projects.

Even a summary review of how agency activities have been affected by these cuts highlights the dangers ahead to consumers.

-The Commission has been forced to cancel or delay investigations of deaths and injuries associated with many products under its jurisdiction. In some cases, on-site investigations of injuries associated with CPSC priority projects such as chain saws have been delayed for weeks, even months, in order for investigators to "bunch" cases to reduce travel costs. Unfortunately, this means that memories will have faded and evidence will have disappeared in many cases. In previous years, these priority matters would have been investigated immediately.

-The Commission has recently closed several major investigations into potentially severe hazards, in part, because the agency did not have the resources to do the extensive research necessary to determine properly the existence of a hazard.

-The Commission has been forced to postpone research necessary to upgrade a 30-year-old flammability standard for general wearing apparel. The Minnesota Supreme Court recently upheld an award of punitive damages of $1 million against a company that had manufactured a garment complying with the flammability standard. The Court did so based on a lower court finding that even a garment manufactured with ordinary newspaper would pass the flammability standard.

-The Commission has been forced to cut back on investigations into potential hazards and into failures to report hazards under Section 15(b) of the Consumer Product Safety Act. Concurrent with the resource cuts in Compliance and Enforcement, there has been a dramatic drop in the number of industry reports. In FY 1979, the Commission received 201 reports from companies of possible hazards. In FY 1980, the Commission received 147. In FY 1981, the Commission received 121. In 1982, the Commission received 96. Thus, in a four-year period, reports dropped by 52.2 percent. We would like to report that the risks from products have lessened proportionately. However, based on the evidence, we do not think so.

-According to a report by the General Accounting Office (GAO) of December 27, 1982, the CPSC has experienced substantial losses of scientific and technical personnel since 1981. During the period studied by GAO, EPA lost approximately 1.4 percent of its technical and scientific staff; FDA gained .5 percent while CPSC lost 32.1 percent. Although GAO notes that few of the the lost CPSC personnel were directly RIFed, the fact is that most of those who left would have been RIFed had they stayed since the CPSC had to reduce its personnel levels by 28 percent from FY 1981 to FY 1983.

-Recently, the Commission had to decline an invitation to list its publication concerning children's safety with three national family magazines. The agency simply would not have the funds to handle an expected demand of several hundred thousand copies following the listing.

As Commissioners charged by the Congress to reduce health and safety hazards in thousands of consumer products, we look to Congress to give us the resources to do the job. As things stand now, we have sustained budget cuts proportionately beyond that of any other health and safety agency and we are being asked to cut even further.

Each year since 1980 we have seen our staff cut and cut again; we have seen our ability to contract out almost disappear. And yet each year we see a continuing toll of death and injury inflicted on innocent Americans, much of it avoidable, if only we had the resources to do the job. Now, in the proposed budget, we are asked (1) to cut back even further and (2) to absorb the inevitable reductions inflicted by inflation, and yet cope with dangers which victimize consumers through complex and often hidden hazards. We are certainly sensitive to the state of the current economy; however, we are acutely aware that preventing tragedies in the first place is a lot cheaper for government and industry than paying for them after the fact.

According to a recent Louis Harris Poll, consumers "overwhelmingly" endorse regulation for safety and protection. In fact, the Consumer Product Safety Commission is the only arm of government in the poll that received a clearly positive rating on protecting the consumer. This consumer confidence will be misplaced if the agency's funding continues on a downward spiral.

It is the Congress which has the power to determine the final size and shape of our budget. We hope that the facts we have placed before you will assist you in carrying out your responsibility. We would be pleased to furnish further details or clarifications.

Sincerely,

Edith Barksdale Sloan Commissioner	Stuart M. Statler Commissioner	Sam Zagoria Commissioner

IMPACT OF BUDGET CUTS ON THE U. S. CONSUMER PRODUCT SAFETY COMMISSION

Fire and Thermal Burn:

In FY 1983, the Commission has designated five projects in this program as priority projects. In FY 1984, two of the Commission's nine priority projects will be in the fire and thermal burn program, recognizing this program's major importance in CPSC activities. In order to meet OMB's reductions from the Commission's September request, the agency would have to cut $200,000 in contracts and 2 FTE's from this program. The contract cuts would have the following effects:

First, the agency would have to postpone some of its ongoing work investigating hazards associated with solid fuel burning heating equipment, particularly research on coal burning. Coal and wood burning stoves are associated with 130,000 fires and 290 deaths annually. We suspect that the relatively acidic products of combustion of coal may lead to degradation of the chimneys, resulting in possible fire hazards. The Commission would also have to postpone work investigating the efficacy of chemical additives designed to reduce creosote buildup in wood burning stoves. Creosote is a major factor in many of the fires and deaths associated with wood burning stoves.

Second, the agency would have to postpone some research into the problem of open flame ignitions of upholstered furniture, which annually account for 140 deaths. Without the contract funds originally slated for this project, the work on it would slow considerably.

Third, the Commission would not be able to purchase additional testing equipment for its fire toxicity project. This project is designed to establish whether some toxic gases, which are the primary killer in residential fires, are more hazardous than others and more likely to arise from certain materials than from others.

Fourth, the agency would have to postpone some aspects of its research into the contribution of plastics to "fire load" and "flashover" in residential fires. The increased use of plastics in homes in recent years has raised concerns about whether they increase significantly the risk to consumers from residential fires.

The loss of 2 FTE's would force CPSC to (1) delay a project designed to review existing standards, such as the carpet and rug standard, to evaluate whether the Commission should reduce the burden on industry without reducing the level of safety provisions, (2) reduce staff available to work on fire toxicity problems, and (3) reduce the staff available to analyze injury data associated with apparel fires.

Beyond the impact of the proposed cuts from the Commission's September budget request are the significant results of previous cuts. For example, as noted, the Commission has been forced to postpone needed research to upgrade its general wearing apparel standard. Additionally, we note that research in the fire area is complex and often slow. Research funds, in particular, have suffered in recent years as the agency's appropriations have been cut. We need to reestablish long-term research in this area to help the United States move away from its position as one of the most fire-ridden nations in the world.

Power Equipment:

Power equipment is associated with 700 deaths and 700,000 injuries every year. In order to meet OMB's reductions from the Commission's September request, the Commission would have to cut contracts by $19,000 and staff by 2 FTE's. One of the major contracts is for riding mowers, associated with an estimated 100 deaths and over 50,000 injuries every year. The Commission has continued working with the industry to reduce injuries and death from riding mowers. However, the loss of these contract dollars would reduce substantially the agency's ability to bring independent technical data to the voluntary standards proceeding and to affect the outcome. The loss of contract dollars would also affect CPSC efforts with industry on log splitters in the same way. Log splitters are associated annually with 13,000 injuries.

The staff cutbacks would also reduce resources allocated for the Commission's power workshop project, which seeks to address the more than 275,000 injuries and 57 deaths associated with over 15 different types of power workshop tools. In particular, the Commission would have to reduce its efforts to investigate the 12 deaths and 7,600 injuries currently associated with air compressors and paint sprayers.

In addition, the Commission would have to cancel a project to address power yard equipment, associated with 8 deaths and 54,600 injuries annually. Power yard equipment would be a particularly significant area to lose as a result of budget cutbacks. Consumers increasingly are purchasing and using a variety of power equipment in yards and for gardening. Trimmers, edgers, mulchers, lawn vacuums, post hole diggers and augers, garden sprayers and similar equipment present a variety of unexpected and exotic hazards to consumers.

Beyond the reductions in the program resulting from the cuts in the agency's September request lie a number of extremely worthy projects that cannot be addressed without more resources. We believe that the Commission has done an excellent job in pushing the chain saw industry to reduce kickback injuries associated with this product. However, kickback accounts only for about 28,000 injuries per year. Other hazards such as contact with the coasting chain after release of the on/off switch, are associated with roughly 100,000 injuries a year. These and other hazards cannot be addressed expeditiously within existing CPSC resources.

Electrical:

Every year 600 consumers die from electrocutions associated with products under the jurisdiction of the CPSC. Equally dramatic, if not more so, is the fact that 120,000 electrical fires occur in consumer residences every year.

In order to meet OMB's reductions from the Commission's September request, the agency would have to cut $165,000 in contracts and 3 FTE's from the electrical program. These cuts would totally wipe out the contract dollars originally designated for this program. The cuts would force the agency to rely totally on in-house expertise, which would also be reduced. Among other things, these cuts would substantially reduce the Commission's ability generally to develop technical analyses to use in activities such as arguing for changes in the National Electrical Code.

In addition, several significant projects would be substantially delayed due to the loss of contract dollars. The Commission would no longer be able to move expeditiously to test Ground Fault Circuit Interrupters (GFCI), widely recognized as the best protection against electrical shock. Efforts to urge industry to miniaturize GFCI's and use them in appliances would be delayed as a result of the contract cuts.

Similarly, the Commission would be unable to monitor effectively both the hazards and the potential benefits of microcircuitry in consumer products. In many cases, microcircuitry is rapidly replacing conventional safety devices such as thermal limiters in appliances. In some instances this technology will produce unforeseen hazards; in others, it may well expand the safety features available in products.

Beyond the cuts in the electrical program from the agency's September request, there are other unmet needs. The large number of electrical fires every year is a reality that must be addressed. In some cases, to determine properly the source of the problem and to suggest remedies requires substantial research and investigation. Without additional funds and personnel, this work cannot take place.

Chemical Program:

The Chemical Program seeks to mitigate death, injury, and illness from exposure to hazardous chemicals in consumer products. The proposed cuts would reduce contract funds by $335,000 from the September request. They would hit projects to address acute as well as chronic effects from such chemicals.

Acute effects run a gamut of reactions from burns to poisoning to death. Another acute problem caused by chemicals involves intense allergic reactions -- rashes, impaired breathing, headaches, etc. Lack of these contract funds would mean a delay of at least two years in an effort to use analyses prepared in FY 1982 and 1983 to identify chemicals which currently provoke allergic responses among a population perhaps as high as 15 million Americans.

Endeavors to reduce chronic hazards (which include cancer, birth defects, neurotoxic disorders and death) would also be reduced. Although it has been documented that polluted indoor air may cause illness and premature death, these budget cuts would eliminate funds to identify consumer product sources of major hazardous indoor air organic pollutants, such as benzene. This project, encompassing population and risk exposure estimates as well as developing cost-effective remedial strategies, has built upon two previous years of agency effort. Testing in homes -- critical to hazard analysis - would have to be cancelled.

The $185,000 slashed for the indoor air quality project also cancelled plans to survey, through a professional home inspector association, the extent of in-home asbestos used in fixtures such as furnaces, boilers and duct work. Asbestos -- a known human carcinogen -- looms as an alarming consumer threat which demands examination. A current study indicates that asbestos in the home could cause more than 1000 new cancers. The Los Angeles Times recently reported that tens of thousands of homes and apartments built in California before the late 1950's contain furnaces and air ducts insulated with asbestos, and that, as furnaces age, according to several environmental health specialists, millions of invisible asbestos fibers are released into a home's ventilation system. Accumulated data appears to indicate a need for the agency to do more, not less, in this problem area.

Also, all contract funds would have to be eliminated from the hazardous dyes project. The Commission had planned to implement decisions made in FY 1983 to reduce, if necessary, exposure to benezidine-type dyes in wearing apparel. All benzidine-type dyes tested have been shown to break down to cancer-causing material in the body. Agency plans to assess the toxicity and bioavailability of a whole set of other potentially hazardous dyes would require contract dollars, as the CPSC has neither the equipment nor the facilities to simulate commercial textile dyeing. Without pertinent information on bioavailability and potential for consumer exposure, the agency cannot utilize its carefully prepared hazard analyses on these widely used dyes.

Adequate funding would start with restoration of the contract funds cut from the agency's September request. Additional funding and staff would mean timely consideration of chemicals such as carbamates (used in fabric finishing) which have showed up in preliminary screening tests as toxic.

Additional resources would allow expanded monitoring and exposure modeling of pollutants emitted from various fuel-fired appliances (cabinet heaters, wood stoves, kerosene heaters, unvented gas space heaters, gas stoves), which contribute to the indoor air pollution problem. This data would allow the CPSC to work more effectively with the various industries involved to pinpoint remedial strategies, as appropriate. With such cooperation, consumer incidence of respiratory illness and disease which appears increased by pollutants such as nitrogen oxide, nitrogen dioxide, and carbon monoxide can be lowered. Accelerating our research likely would reduce the number of heating units which can cause unhealthy effects and which later might require retrofitting or other regulatory remedies. These are long-lasting products which, once purchased, are likely to continue in use for years and years.

Household Structural Products:

Budget cuts from the September request would force the elimination of two projects -- architectural safety and renewable energy sources.

Annually, an estimated 1.6 million hospital emergency room-treated injuries are associated with structural products, like stairs and stairwells, found in houses. A residential safety conference sponsored by CPSC in conjunction with the American Institute of Architects and the National Bureau of Standards, to distribute new safety material compiled by CPSC to target groups such as architects, the National Association of Home Builders, and building code officials would have to be cancelled. This effort to reach key groups to use their influence and resources to address safety hazards would be stopped.

Responding to consumers complaining of injuries from renewable energy systems (e.g., solar water heaters) whose use has grown during the energy crisis, we planned to evaluate untested safety aspects of these systems. Although staff does not have detailed information on injuries, NBS personnel have informed the Commission of potential hazards including flame spread and corrosive fluids.

With resources strained to the breaking point to accommodate priority projects as well as other on-going work, household structural projects have suffered further delays. For example, the timetable for injury analysis of deaths from residential spas has been set back at least six months. Over the past few years, approximately 67 people have died in hot tubs or spas -- 26 of those killed were children under age 3. This analysis is the necessary starting point for developing means to halt these deaths.

Children's/Recreational Products:

The Commission's record of protecting children from dangerous products has been well documented. This record has extra meaning because children may not detect hazards or respond to them appropriately, which makes the youngsters especially vulnerable to injury.

Statistically speaking, childhood deaths and injuries from consumer products are extensive. Moreover, the emotional consequences are simply incalculable. In 1981, 128,000 children were treated in hospital emergency rooms for injuries sustained from toys. Thirty six died. In addition, children's products such as baby gates and corrals, toy chests, certain crib headboard designs, indoor gym houses, juvenile sports equipment and bicycles accounted for millions of injuries and hundreds of deaths.

While the Commission has identified and removed millions of unsafe children's products from the marketplace, a great deal more needs to be done to protect our very young. In FY 1983 and 1984, CPSC staff will concentrate their efforts on juvenile sports equipment deaths and injuries, squeeze-toy choking hazards, and structural head entrapment incidents.

Unfortunately, the Commission has been forced to reduce the overall children's program. In particular, to meet OMB's reductions from the agency's September request would require the elimination of $25,000 in contract dollars. This would significantly reduce our ability to analyze structural entrapment hazards that have resulted in needless death and injury to children. In addition, the reduction of 1 FTE would require the elimination of a project to study bicycle frame breakage. The Commission has received numerous consumer complaints and injury reports involving the breaking of frames. The Commission had planned to analyze available data to determine if amendments to the bicycle regulation were necessary. The elimination or diminution of each children's project means that more unsuspecting and helpless young children will needlessly die or be seriously injured because necessary funds were not avialable for this program.

Emerging Hazards Program:

Reducing this program by $95,000 in contract funds and 5 FTE's would compromise the agency's ability to evaluate and, where needed, to respond to newly emerging hazards. The Commission is inextricably being pushed into a reactive rather than preventive mode of product safety work.

The brunt of the cuts from the September request ($85,000 and 4 FTE's) hits the product safety assessment project (PSA) which provides quick, multi-disciplinary technical evaluation of potential product hazards necessary for agency Section 15 activities. These cuts reduce by 20% the level considered necessary to meet the anticipated workload. The impact is obvious -- the number of assessments made will necessarily be reduced and response time increased. If the tempo of Section 15 activities should speed up, the situation will drastically worsen.

The additional reduction of $10,000 and 1 FTE cuts the resources of the new project identification project (NPI) by about one-half and dictates that work planned will also be halved. NPI performs a parallel activity to the PSA-Section 15 function. Potential hazards of a generic nature associated with individual consumer products are assessed and, where appropriate, recommended for voluntary or mandatory standard development. The cuts will not only slash the volume of accomplished work but also slow siginificantly assessment response time.

Field:

No program at the CPSC has been cut as much as the Field in recent years. In FY 1982, as a result of budget cuts, the Commission reduced its 10 regional offices and 3 district offices to just 5 regions. Four of the five new regions encompass more territory than before but have fewer staff to service it. In FY 1980, the Commission had 123 investigators in the field. Currently, the agency has 80, a reduction of almost 35 percent. If the Commission's current budget for FY 1984 is adopted, the number of investigators will drop to 73.

As noted in the chart, this dramatic loss in personnel has resulted in a substantial reduction of field activities across the country.

	FY 1980	FY 1984	Percentage Drop
Inspections of Companies	4,573	1,600	65
Consumer Product Samples Collected	2,833	1,240	56
Recall Checks	8,552	1,400	84

Although the Commission would be able to conduct almost the same number of injury in-depth investigations as in FY 1980, most would necessarily have to be by telephone, rather than conducted onsite. The difference in quality would be significant.

Knowing the odds of detection by the Commission have dropped substantially, companies will probably not be as motivated to report possible hazards to the Commission as before. Commission statistics seem to bear out this notion. As noted, Section 15 reports of possible substantial product hazards have dropped dramatically.

Engineering and Sciences:

Without adequate technical resources, the CPSC cannot function effectively. As the agency has dwindled in size, it has lost a substantial number of its engineering staff. According to a report by the General Accounting Office (GAO), the CPSC has experienced losses in this program since FY 1980, with losses accelerating in FY 1981. Compared to agencies like EPA and FDA, the Commission's losses have been especially dramatic. Since FY 1980, EPA has lost 1.4 percent of its scientific and technical staff. In sharp contrast, the CPSC has lost 32.1 percent of its scientific and technical staff.

In order to meet the funding levels in the current budget, the Commission would have to cut $25,000 in engineering contracts from the September request level. The reduction would impair CPSC's ability to upgrade and maintain laboratory equipment needed to support hazard programs and enforcement work.

Beyond the cuts in the September request level, this program, in recent years, has been forced to curtail long-range research necessary to anticipate and deal with emerging hazards and hazards that are difficult to discover, such as those associated with aging products or those associated with consumer installation of products such as new energy saving devices.

Compliance and Enforcement:

In recent years, the Commission has relied increasingly on this program, especially Section 15, to meet its statutory goals. Although the agency has not abandoned rulemaking when necessary, it has concluded in a number of cases that Section 15 activity is much faster, cheaper and fairer to all concerned in addressing product hazards. However, in spite of increasing demands on this program, the Commission has not been able to expand its resources. To the contrary, as with all other programs at the agency, compliance and enforcement has seen its resources dwindle.

In FY 1980, the Commission had 87 FTE's enforcing compliance in its headquarters. (Field compliance resources are discussed in the section on the Field.) In FY 1983, the Commission has only 50 FTE's, a reduction of 42 percent. To cut back to the levels set forth in the current FY 1984 budget, the Commission would have to reduce staff by one more FTE. While the loss of one person may not appear as dramatic as some of the other cuts in CPSC programs, it is significant given the increasing demands placed on Compliance and Enforcement by the Commission.

The Commission has regulations that must be enforced. It also must anticipate and deal with hazards arising under Section 15 of the CPSA, which addresses substantial product hazards not covered by regulations. Without adequate resources, these goals cannot be addressed.

Hazard Identification and Analysis:

Without accurate injury and death data, the Commission cannot address product hazards in a precise, carefully-tailored manner. As the Commission has trimmed its data systems in response to diminishing budgets, the precision of its data systems has dropped. In order to meet OMB's reductions from the Commission's September request, the agency would have to cut $50,000 more in contracts and 4 FTE's from this program. The cut in contracts would halve the number of death certificates that the Commission purchases from the 50 states. This is of particular concern because accidents from consumer products that result in death are obviously the ones that the Commission wishes to give particular attention.

In addition, the staff cutbacks would force the Commission to reduce the number of hazard analyses it conducts each year. Hazard analyses are critical to the Commission's ability to address the causes of injuries. For example, while everyone knows that chain saws can injure people and expects some injuries to occur from this product regardless of the number of safety devices, the agency would not have known about the 28,000 injuries associated with "kickback" had it not conducted an injury analysis. With such an analysis, the agency was able to demonstrate that "kickback" is primarily due to a product defect rather than to careless consumers. In order to investigate properly future injury patterns, the Commission needs access to adequate resources of injury analyses.

Beyond the effects from the cuts to the Commission's September request, the agency has additional data collection and hazard identification needs. For example, the Commission has had to drop plans to develop a human factors design guide for industry using injury, anthropometric and behavioral information that would permit toy manufacturers to anticipate potential safety problems associated with various ages of children.

VIEWS OF COMMISSIONER STATLER

Senator GARN. Mr. Statler?

Mr. STATLER. Mr. Chairman, I appreciate the opportunity to comment. I was listening intently to your comments about the committee and the excellent work that it does.

Compared to your 3 percent over the last 2½ years, just in terms of absolute dollars, not taking inflation into account, our budget has gone down from $42 million to $33 million and a projected $32 million next year. That is on the order of between 20 and 25 percent.

As I listened to Commissioner Zagoria, I would have to endorse everything he said. In addition, an idea that is very difficult to get across in a situation like this is the insidious effect of delays all around that are occasioned by budget cuts.

We can come and tell you, hopefully, that our priorities will remain intact. We will continue to devote the moneys to our priorities that we planned. But we can't in good conscience tell you that everything else is going to be the same or that we are even going to be able to accomplish priorities in the time span we originally set forth.

The reason is we don't have the people out in the field to do investigations, to do the analysis of injury reports, to do the processing of those reports, and to communicate decisions to the public so that they can reap the benefit of the information we have about the relative or comparative safety of various products. Similarly, our ability to monitor the marketplace has been cut drastically. When you cut the number of field staff from 123 2 years ago to 80 this year and to a projected 73 next year, they can't conduct necessary compliance checks, inspections of companies, and sample collections.

Indeed, in our separate statement to you, we indicate that inspections will be down 65 percent; collection of samples, down 56 percent; and recall checks down 84 percent. Recalls are a priority of this Commission where we want to get products out of consumers' homes which manufacturers agree are defective. Yet we can't go out to the stores and to other merchandise places to find out whether these products are indeed off the shelves.

Similarly, our ability to get information out to the public is impeded by virtue of our field offices having been cut from 10 down to 5. Actually, there were 13 offices 2 years ago and we are now down to 5. Our ability to communicate to people out there is reduced because we don't have the people to communicate with.

Most important to me is our ability to look toward the future. That has been impaired because we have had to concentrate on the programs of right now, on the priorities, as indeed you have impelled us appropriately to do. But we are not looking into, sufficiently, the impact of what microprocessors are going to mean in consumer products, what laser technology is going to mean in consumer products, what computerization is going to mean. These are the product safety problems of the future. This is the agenda we should now be looking toward. And, Mr. Chairman, to be candid with you, we can't spend the time and money on these things because we have mortgaged that future in order to do the here and now.

Finally, our credibility has been impacted. When we don't have the people out in the field to do those compliance checks, to do investigations, the results are going to be seen and have been seen. We are not getting section 15 recall reports from companies the way we used to. They are down from 147 2 years ago to 94 last year. Companies are realizing that we can't monitor the marketplace. We can't enforce product safety out there the way we once did. So they are willing to take a chance and not tell us about a product defect, about a substantial product hazard or a possible product hazard, hoping to get away with nonreporting and not having to recall that product.

This has a snowballing effect that is very hard to communicate. But we see some of the unhappy results. Thank you for your time.

VIEWS OF COMMISSIONER SLOAN

Senator GARN. Mrs. Sloan?

Ms. SLOAN. Thank you, Senator.

I certainly agree with what both Commissioners Zagoria and Statler have said, but I would like to express one view from my unique perspective. You may be familiar with the ARCO-sponsored Harris poll. Three categories of consumers were identified as being most concerned about health and safety relating to consumer products: women, the elderly, and minorities. Now obviously I fit two of those categories.

When I first came to the Commission 5 years ago, we had a category of projects called special studies. It wasn't well funded at all, but at least it was there. Its purpose was to see how special consumers—minorities, the elderly, and so forth, women, too—used consumer products and what they were concerned about.

I remember once having a rather arduous argument with the Commission about how much money should go into that project. Luckily we were able to continue it. But once the Commission had to cut back severely on its number of projects and had to cut any peripheral issues, just as Commissioner Statler said, had to mortgage its future and part of its present, once we had to do that, we had to cut out anything like looking at the special needs of special consumers.

From my own personal experience, Senator, I can tell you there are two markets out there. Industry knows it, too. There is a market for the majority and there is a market for minorities. Things are not equal in the marketplace. And for the most part, minorities and poor people get the short end of the stick.

I am very concerned that this will continue unabated because the one Commission that has the mission to look at consumer product safety and health issues can no longer look at them because we don't have the resources to do so. I certainly haven't haunted my fellow Commissioners in the last few years about that because I know we don't have the money. If the concerns of women and the elderly and minorities aren't caught up in the large scope, then they just have to go by the wayside.

This I think is an oversight on the part of the Commission and on the part of the Congress to continue to do this. I think what we see here is an unequal marketplace. Because of our limited resources, we can't do anything to begin to address it.

Senator GARN. Thank you.

I don't want to prolong this too long, but I want to make sure I am understood in that the comments I previously made were not necessarily directed at your agency, but at Government agencies in general.

I don't have the background or expertise to get involved in a lot of detail on what can or cannot be done. But I am now in my 16th consecutive year in government. I have been involved at all levels of government, as Sam knows. However, what I was talking about is budgeting and how you are able to prioritize. That is why I pushed you to prioritize projects in your budget so that you could look at the most serious problems and do a good job of finding the solution to the problems.

I can remember when I took over as mayor of Salt Lake City and received the budget request from my department heads. Budgets were normally based on what they had been doing for the last 5 and, in some instances, what they had been doing for the last 20 years. They just added whatever they thought they needed for the additional year. They didn't like it when I started saying, "Will you evaluate programs? Will you set priorities for me? Because we are going to have some limitations." We had to balance the budget because the constitution of Utah says, "Mayor, thou shalt balance thy budget or thou shalt go to jail." So I balanced my budget each year. But I wanted to do a more effective job.

I found that in the budget requests from my department heads that were involved in health and safety issues, they would come in and show their budget justification and somebody would come in and say, "Mayor, you wouldn't do this. You wouldn't want to be cruel. You wouldn't want to do that." It really put the other agencies at a disadvantage. They couldn't come up with that kind of justification.

Don't misunderstand. I am not accusing the Commission of doing this. I haven't really seen your budget. In general, however, that always happens, and rather than try to make economies and do the best job you can with the money, agencies of all levels of government that are concerned with health and safety will show those politicians and budgetmakers what they are cutting so they can tear at your heartstrings. That is the point I am making.

I very rarely see government agencies handle their money in the same way that people who have to show a profit or to continue in business do. It is a lot easier to say, "Well, we will do this or that," and then never do it.

I am going on far too long. But let me relate the difference of two campaigns for the U.S. Senate. When I was running for the Senate the first time, it was during Watergate and I was a Republican. It was very difficult to raise money, so we had a campaign fund of about $350,000. Every expenditure was very carefully watched. We did what was necessary and we tried to do the best we could in that campaign.

However, in 1980 as an incumbent, it wasn't really any trouble spending money. In retrospect, going back and looking at that campaign, we spent a million dollars to get me reelected. We spent that much money because in that campaign we had the best, most expensive computer unit; we had a better car to haul me around in. The point I am trying to make is the money was available and we spent it. I think that is human nature.

Again, without being able to judge the specifics of your budget—I don't know enough, frankly, about it to do that—I would encourage each agency which comes before me to do the best job they can and cut out some of the programs that are not as important so they can concentrate resources to the area, which are the best.

I would be telling you the exact same thing, Sam, if you got your $35 million. That is the way I would like you to spend the money. When Mrs. Knauer was testifying earlier, I asked some questions about how many people OCA sent down to Knoxville to supervise the exhibit at the World's Fair. I don't think a $3,000 project necessitated OCA spending $10,000 for travel to see how the project was working.

Those are the kinds of points I am trying to make. I am not trying to challenge your expertise on what should be done with lawn mowers and that kind of thing. I will try to continue to make sure that each agency gets the most out of the dollars they have and not justify budget requests solely on the basis of we can't do this or that.

If I had the time, I would really dig in and find out if you really needed to cut those inspectors or find out if there is someplace else that you can cut some items from the budget. Those are the types of issues I am trying to get at.

I just don't have the time. Sometimes I wish that I did have the time to pick one or two agencies, ignore staff, and do my own little analysis like I used to do when I was mayor, when I had the time to dig into my departments and find out what could be done. For example, one time I found if we had invested our surplus cash overnight, it increased a million dollars. I just couldn't believe that our surplus cash was not put in a bank overnight or over the weekend. I was able to change the way we handled our cash flow.

I also found out little things like if I told my department heads all the money they saved in their operating budgets they could keep at the end of the year, we would allow them to spend on capital goods, to build a new water department shop and buy automobiles rather than lease them. It was amazing how much money came out of the various departments' budgets when you started to closely analyze the requests.

In your case, I might dig into your budget and find out that you are absolutely right, and that you are spending every dime properly for high-priority items and you ought to have more money. However, I don't have the luxury of that kind of time. I wish I did. But with most of them, maybe not yours, but with most of them, some of the techniques I used when I was in the executive side would not fail to work again. There would be money flowing out of the projects and programs like you wouldn't believe if we could somehow get to some zero-based budgeting and some real analysis of these budgets rather than just allowing the budgets to continue to grow each year.

Ms. STEORTS. Mr. Chairman, if I could respond to that. As the manager of this agency, and having not had the luxury of being with the agency when it had more money, I would like to say that we have 615 people at this Commission who are probably the 615 best in this Government. They are doing a superb job with limited funds. And I would like to say, whether they be in the field or whether they be in Washington, I think it is because of their ability to take a tighter budget and work with it that we came out as No. 1 in the Harris poll.

This Harris poll, Consumerism in the Eighties, just recently came out. I would like to submit this to you from the poll.

> The Consumer Product Safety Commission is the only Government agency that received a positive rating on consumer protection.

This was a poll that was done by Louis Harris and Associates, Inc., in the month of October.

I think that speaks well for the Commission and the staff. Even though we have a limited budget, we have been able to protect the consumer and we have been able to be recognized by the consumer as doing a good job. Obviously you can do more if you have more. But you are having to cut everywhere.

I would like to just say one more time that I do feel that in this particular tight economy that this Commission can do a credible job for the U.S. consumer with the budget that is allocated to them.

Senator GARN. Thank you very much, all of you.

PRODUCT SAFETY AS AN INVESTMENT

Mr. ZAGORIA. Senator, can I just add to your comment about what you did as mayor, your picking up the balances and getting them to the bank rather than letting them sit overnight.

When I was still working in the same municipal field, one of the chief finance officers told me he instigated a new service. He provided a red cap service to any major corporation in the community that wanted to have its tax check picked up instead of waiting for it to come in the mail and losing a day or two or three of interest. He sent over a red cap service in a city car, picked up the money, took it right to the bank, and managed to pick up an extra day or two of interest.

But putting that aside for a moment, I would like to argue for a second that the work that we are engaged in is a form of investment. A lot of the things that we are now dealing with we are at the very beginning stages of.

Two weeks ago, all of us were involved in a hearing on phthalate esters, a chemical that is used in plastics to make them soft, very much used in infant products. Companies use them in nipples on bottles; they use them in pacifiers; they use them in the plastic covering on bumpers in cribs and plastic sheets. Indeed, the plastic pants put on infants.

Phthalate esters in laboratories have produced cancer in laboratory animals. The industry is concerned. We had a long meeting with them. We are using some of their people to help us create a technical staff to supervise the testing of phthalate esters. If something isn't done to bring that within the range of acceptable safety, not any zero risk, but acceptable safety, 10, 15 years from now there are likely to be people out there who are going to be troubled by one of our most serious kinds of diseases.

Consider the kind of work that was done in the dioxin situation in that small town in Missouri. Ten years ago that investigator, according to the stories I read, was talking about it and was trying to trace the source of it. We are dealing now with companies that are facing bankruptcy because they are overwhelmed by product liability suits involving asbestos. When you get companies like the two I mentioned earlier who are facing $15 and $25 million settlements in individual situations, if the problem occurred to one, it is a reasonable expectation it is going to turn up in others.

If a health and safety agency can't do the job, it is not doing the job for the companies because they are going to get overwhelmed with the product liability suits. It is certainly not doing the job for individual Americans to give them that kind of health that the scientific breakthroughs are telling us about. I mean, when our health sciences people come in and say, "We now know things about formaldehyde we didn't used to know," or "We now know things about asbestos we didn't used to know," it is terrible if we haven't got the resources to try to bring that into position with consumer products.

Now a lot of these chemicals, when you talk about them sitting in a dump or even in a chemical plant, that is one thing. It is not the same kind of 24-hour exposure that that infant in that crib has to all of the products that involve use of the plasticizers. If we take a year or two extra to try to deal with that, we are endangering every infant that is exposed to the same kind of thing.

I would suggest that is a good investment, because if we don't do the job now, Government is going to be hurt, business is going to be hurt, and certainly the victims are going to be hurt.

EFFECTIVE USE OF DOLLARS APPROPRIATED

Senator GARN. Sam, let me try once more. [Laughter.]

I am not disagreeing with you. My remarks were not specifically directed at CPSC. I was talking about government agencies in general. During my entire public career I have always attempted to make sure that whatever dollars are available to a particular agency, safety or nonsafety, they are used in the most effective way they can.

I am certainly not going to be put in a position as the father of seven to have my children use unsafe products nor am I unsympathetic to your problems. I probably have more experience with children that most people because I currently have children in college, high school, junior high, grade school, and preschool. An example of this is that my oldest child is getting married while, at the same time, I'm trying to get my youngest child from using a pacifier.

I am not picking on you nor am I saying that you don't do your job. However, I am saying that whatever dollars we appropriate to you, they should be used for those projects which will look at the products which, if found unsafe, cause the most harm.

I would only make one other comment. I shouldn't get involved in this, but as a member of the Appropriations Committee and as I look at the whole budgeting process, I believe that the discretionary programs have been cut enough and, in some instances, too much. I believe Congress should jseriously look at the entitlement programs because we would find that the discretionary programs have not increased at the rate of what the entitlement programs have increased over the years.

In looking at the budget of just this subcommittee, there are some programs we can control and then there are others which we have no control over whatsoever. So the entitlement programs, despite how politically sensitive they may be, are a major reason for the big deficits and the tremendous increase in budgets and have also robbed the discretionary programs as well.

The Veterans Administration, one of the agencies under the jurisdiction of the HUD-Independent Agencies Subcommittee, has a budget of over $25 billion. A large portion of the agency's budget are entitlement programs. So when entitlement programs increase because of indexing, we have to, due to our 302(b) budget allocations, take money out of other agencies. When this happens, we have to take it out of programs like yours, NASA, and other discretionary accounts.

Before anybody runs out of this room saying I am anti-veteran, I want every one to know that I am a veteran and a member of the VFW and the American Legion. I hope I live long enough to get my pension and so on. [Laughter.]

But, nevertheless, it is a simple fact of arithmetic that the discretionary programs are being cut back as a result of our unwillingness to address the automatic increases in the entitlement programs.

The Social Security Commission doesn't even have the guts to publicly talk about changing the age of retirement for social security recipients from age 65 to 68. I wouldn't vote for that next week, next year, or the next 5 years. So the proposal by the Commission is to change the rate of 1 month per year for 36 years. So the person who would be actually affected is 29 years of age. When I was 29 years old I had no mortality complex. I was never going to die or retire. You don't want to join pension plans then because you want to spend your money.

You change something very, very gradually over the years to insure the long-term solvency of a system, but do it as a short termer. I sat on the floor in 1977 when we were promised that if we voted for that proposal, we would be voting for the last social security fix. It is bad for even Congress to miss 70 out of 75. So if anybody believes we will fix social security with this latest compromise, we haven't.

In the meantime, your agency is being robbed. Maybe you ought to have $100 million to do the job; maybe even $150 million. But you are not going to get it as long as approximately 75 percent of the budget is automatically indexed.

We have to start looking at that overall budget picture and establishing some priorities. There is no doubt in my mind that CPSC would not have been cut like it has been without entitlement programs within the budget.

I do believe we understand each other. I am not just picking on you. I am trying to encourage all of the agencies to do the same thing; that is, let's do the best job we can and maybe some day we will get somebody to look at those entitlement programs so we don't have to severely cut the many discretionary programs.

COMMISSION PRIORITIES

As you know, this committee has been quite concerned that the Commission focus its resources on a limited number of high-payoff areas. I am pleased to see that for the first time in the Commission's history your budget preparations started out with the selection of priority projects. I do really think we have come a long way from last March.

Certainly, after all of this discussion I want to indicate my willingness to continue to work with you to completely integrate the priority system with your budget presentation. So to that end, I would like to request that in the future you include an additional section in your justification that contains a listing of the current proposed priorities and the resources allocated to each priority. This section should also include a list of the major activities and milestones associated with each of these priorities over the expected lifetime of the project.

Would you please submit this information for the record in reference to your fiscal year 1984 budget?

I want to indicate my sincerity in trying to work with you in establishing the priorities. Obviously, it is even more important that we do so with the limited nature of the budget.

Ms. STEORTS. Fine. We will be very glad to do that, Mr. Chairman. We are very pleased with this priority process. It is working very well. We appreciate your urging us to do this because it certainly is good management.

[The information follows:]

CONSUMER PRODUCT SAFETY COMMISSION
FY 1983 PRIORITY PROJECTS 1/

SMOLDERING IGNITION
(FY 1983 Resources $442,300)

Upholstered Furniture

HAZARD AND INJURY DATA

The primary hazard with upholstered furniture is ignition by a burning cigarette accidentally dropped on the furniture item. This results in a smoldering fire and the generation of a lethal atmosphere. If left to burn, the smoldering fire may ultimately burst into open flame.

Based on 1981 data, it is estimated that 34,800 upholstered furniture fires resulted in 1,430 deaths. Of these totals, 22,500 fires and 1,190 deaths were caused by cigarette ignitions.

OBJECTIVES

- Significantly reduce deaths and injuries resulting from the ignition of upholstered furniture by cigarettes.
- The Upholstered Furniture Action Council (UFAC), an industry group, has accepted the goal of improving upholstered furniture so that at least 80 percent of UFAC-labeled furniture will not ignite from cigarettes.

HISTORY

Work on upholstered furniture flammability was first undertaken in 1972 as a result of comments from fire marshals that upholstered furniture was a major contributor to residential fires. A draft mandatory standard, developed by the National Bureau of Standards, was considered by the Commission 1977-78. Early in 1979, the Upholstered Furniture Action Council (UFAC), representing the major U.S. upholstered furniture associations, introduced a Voluntary Action Program for the production of upholstered furniture more resistant to cigarette ignition. A Commission evaluation, in 1980, indicated that the upholstered furniture industry had improved the cigarette ignition resistance of upholstered furniture. However, further significant improvements would be required before upholstered furniture on the retail market could be considered to provide an acceptable level of safety. The UFAC program showed sufficient promise that the Commission voted, late in 1981, to defer any mandatory action and to work jointly with the industry to further improve the ignition resistance of upholstered furniture. During 1982 several new materials were found to show promise in increasing cigarette ignition resistance.

1/ The priorities are arranged by budget program.

MILESTONES

FY 1983

- Ongoing FY 1983 activity - Regular meetings with UFAC to discuss progress of the industry's voluntary program.
- February 1983 - Complete testing of new materials and technology to further improve the cigarette ignition resistance of upholstered furniture.
- May 1983 - Report to Commission on experimental evaluation of technology.
- July 1983 - Furniture with new technology becomes available to consumers.

FY 1984

- July 1983 through February 1984 - Retail furniture evaluation, including purchase and testing.
- April 1984 - Report to Commission on retail furniture evaluation, UFAC compliance activities, and industry success in meeting their goals.

FY 1985

- Continue to monitor fire death trends and furniture flammability performance.
- Seek additional technological breakthroughs as needed.
- Consider mandatory action if industry fails to achieve goals by a substantial margin. Future activity will depend on Commission decision.

Bedding Fires

HAZARD AND INJURY DATA

Mattresses and other bedding account for more fire deaths every year than any other home furnishing except upholstered furniture.While information indicates that the existing mattress flammability standard has reduced fire deaths from cigarette ignition, bedding fires continue to be a significant problem.

In 1981, an estimated 61,000 mattress and/or bedding fires occurred resulting in 930 deaths. Of these, approximately 26,500 fires and 630 deaths resulted from cigarette ignitions.

HISTORY

Fire data, in the early 1970's indicated that mattresses were frequently the first item ignited in residential fires. Burning cigarettes accidentally dropped on the mattress were found to be the primary problem. In 1972, the Standard for the Flammability of Mattresses (and Mattress Pads) was promulgated (16 CFR Part 1632). This standard requires mattresses to resist cigarette ignition.

Available information indicates that this standard has resulted in a reduction in mattress fires and fire deaths. However, bedding (sheets, blankets, pillows, mattresses, etc.) is still reported in a significant number of residential fires.

OBJECTIVES

- Determine the causes of fires involving bedding.
- Reduce deaths and injuries resulting from bedding fires.

MILESTONES

FY 1983

- June 1983 - Status report on sample collection and in-depth reports.

FY 1984

- April 1983 to March 1984 - Complete acquisition of mattress/bedding samples, testing, and data analysis.
- June 1984 - Report to Commission on analysis, trend data and recommendations for action. Future action depends on Commission decision.

FY 1985

It is expected that the current study will provide information on the causes of today's bedding fires and on the effectiveness of 16 CFR Part 1632. Using this information as a basis, appropriate action will be undertaken to reduce bedding fires. This could involve voluntary industry activity, mandatory standards, consumer outreach, or a combination of strategies, depending upon the results reported in FY 1984. Activity could extend to FY 1986.

HEATING EQUIPMENT FIRES
(FY 1983 Resources $675,400)

Gas Heating Systems

HAZARD AND INJURY DATA

Before 1980 (when wood heating fires increased dramatically), fires in gas-fired equipment accounted for more deaths and injuries than fires in any other kind of heating equipment. Further, mortality data indicated that gas heating systems accounted for the majority of non-fire related carbon monoxide deaths in the home. Preliminary analysis of hazard data identified two important problems: gas water heater fires and vented gas space heater carbon monoxide poisonings.

Water heaters are the largest single contributor to fire losses associated with gas heating equipment. Gas fired heating appliances accounted for 23,000 fires and 130 deaths in 1981; of these totals, 10,000 fires and 20 deaths were associated with water heaters.

About 340 carbon monoxide poisoning deaths associated with fuels in the home are estimated to occur each year. The largest single contributor to these deaths is vented gas-fired space heaters: an estimated 130 deaths.

OBJECTIVES

- Reduce the number of fire casualties and acute carbon monoxide poisonings from heating equipment fueled by natural or liquid propane (LP) gas.

HISTORY

In 1974, a CPSC contractor produced a series of technical reports on hazards from gas flame fired devices. Later, with energy shortages and high heating costs affecting consumer preferences for home heating products, the Commission began to evaluate the hazards associated with energy conservation devices. The current project was established in September 1982 to examine the particular hazards of gas-fired heating devices, using the past Commission activities as a base upon which to begin work. The project is intended to put into perspective the casualties associated with such products and to develop and recommend appropriate Commission remedial actions.

MILESTONES

FY 1983

- December 1982 - Summary report of FY 1982 activities.
- Ongoing FY 1983 activity - Accumulate in-depth investigations to identify causes of water heater fires.
- April 1983 - Encourage voluntary industry actions to reduce water heater fires.

FY 1984

- December 1983 - Implement voluntary activities on thermal spill switch for vented gas-fired space heaters.
- December 1983 - Report to Commission on FY 1983 activities.

FY 1985

- Encourage voluntary industry actions to incorporate carbon monoxide detectors on gas-fired heating equipment
- Coordinate development of a prototype fuel gas detector
- Address fires associated with LP gas equipment through appropriate voluntary or mandatory activities.

FY 1986

- Finalize mandatory or voluntary standards addressing LP gas equipment based on Commission decisions.

Wood Burning Heating Equipment

HAZARD AND INJURY DATA

Due to the increasing cost of energy, the use of solid fuel burning appliances and accessories, such as fireplaces, stoves, fireplace inserts, and chimneys, has become very popular. Accompanying the increased use of these products, there has been an increase in the number of fires involving this equipment.

Major causes of the fires have been identified as improper installation, use, and maintenance of appliances, chimneys, and chimney connectors. The problem is especially critical in the venting systems.

It has been estimated that in 1981, about 130,000 destructive fires occurred from the use of these products and that these fires caused perhaps 290 deaths. This number of fires represents an increase of about 16 percent over 1980. Fires associated with these products increased more than 60 percent between 1979 and 1980.

OBJECTIVES

- Reduce the excessive fire toll by determining the causes of fires, informing users of wood burning equipment of the hazards and how to avoid them, and working with industry, improve voluntary standards and codes.

HISTORY

Many stoves are voluntarily labeled with safety information concerning the above hazards but the content of the different labels varies widely. The Commission proposed a mandatory labeling rule for wood and coal stoves that would require that extensive safety information be provided to consumers, and has voted to issue a final rule.

In FY 1981, a new project was instituted to examine the woodburning problem, and to recommend appropriate CPSC activities. This research found that major causes of the fires were improper installation, use, and maintenance of appliances, chimneys, and chimney connectors. The problem is especially critical in the venting systems. As a result of this research, consumer outreach activities were emphasized in order to inform consumers about the proper use of their heating equipment.

MILESTONES

FY 1983

- January 1983 - Commission decision to publish a mandatory wood and coal stove labeling rule.

- February 1983 - Report to Commission on FY 1982 activities to Commission.
- March 1983 - Meeting with industry regarding implementation of voluntary labeling program for chimney connector pipe.

FY 1984

- October 1983 - Report to Commission on FY 1983 activities to Commission.
- September 1984 - Voluntary labeling program for chimney connector pipes in place.

FY 1985

- Continue consumer outreach activities in heating seasons
- Enforce labeling rule
- Apply research results to changes in voluntary standards/codes

FY 1986

- Same as FY 1985; ongoing activity

Kerosene Heaters - Fire Hazard

HAZARD AND INJURY DATA

The Commission is concerned about the extent to which kerosene heaters may be involved in residential fires; the level of indoor air pollutants which these heaters may emit; and the possibility that consumers may suffer burn injuries from accidental contact with hot surfaces on these appliances. Two projects are now active relating to kerosene heaters: fire hazards and indoor air quality. This document covers the fire hazards project.

Fire data covering 1981 from the United States Fire Administration (USFA) indicate that about 8,800 fires were caused by liquid fueled heaters, of which about 900 were attributed to portable heaters. This was an increase from 1980 (600) but was the same number of fires as in 1979. Corresponding fire deaths in 1981 were 120 for liquid fueled heaters; 30 of which were associated with portable heaters.

OBJECTIVES

- Define the extent of the fire and thermal burn problem associated with kerosene heaters and recommend appropriate Commission actions to respond to the problem.

HISTORY

The Commission denied a petition in 1980 to ban portable kerosene heaters. At that time, there was insufficient evidence to justify granting the petition. It was also noted that the voluntary standard showed promise for addressing the fire hazard.

Since that time, the Commission has continued to monitor accident data to determine whether a fire related problem was increasing. Contact was also maintained with the voluntary standards organization.

MILESTONES

FY 1983

- Ongoing FY 1983 activity - Define potential problem by conducting laboratory tests on a variety of heaters.
- June 1983 - Report to Commission on laboratory tests, hazard analysis and progress of voluntary standards including staff recommendation based on FY 1983 research.

FY 1984

- June 1984 - Complete supplementary evaluation of problems identified by in-depth investigations.
- August 1984 - Report on progress of voluntary standard activity.
- September 1984 - Status report on staff implementation of Commission direction.

FY 1985

Continue to monitor accident data and voluntary activities.

Home Heating Equipment Information Program

OBJECTIVES

Reduce injuries and deaths associated with home heating equipment by:

- providing consumers with information about potential hazards and accidents associated with home heating equipment.
- providing consumers with information about the proper selection, use, installation, operation, maintenance and inspection of home heating equipment.

HISTORY

The Commission conducted a Wood and Coal Burning Appliance Information Program from January 13, 1982 through March 31, 1982. Media response was very strong; more than 150 interviews were conducted with CPSC Commissioners and staff. Several major groups participated in the program. These included the Wood Heating Alliance, Underwriters Laboratories, National Association of Fire Chiefs, National Chimney Sweeps Guild, local appliance manufacturers, and local chapters of the Better Business Bureau.

The Washington Headquarters and the CPSC's five Regional Offices participated in numerous activities to reach consumers and buyers of coal and wood burning stoves. Information was provided to consumers on the potential hazards associated with coal and wood burning stoves; and the proper installation, operation, and maintenance of these products.

MILESTONES

FY 1983

- October 1982 - Nationwide information program launched coinciding with Fire Prevention Month and the CPSC Smoke Detector Program.
- October 1982 - Public Meeting on kerosene heaters.
- October 1982 - Community information outreach projects begun. Status report on the program submitted to Commissioners.
- March 1983 - Program ends.
- April 1983 - Final report prepared and distributed.

FY 1984

- October 1983 - Nationwide information program to be launched coinciding with Fire Prevention Month and the CPSC Smoke Detector Program.
- January 1984 - Interim report prepared (10/83 - 12/83).
- March 1984 - Program ends.
- April 1984 - Final report of activities prepared and distributed.

SMOKE DETECTORS
(FY 1983 Resources $850,000)

HAZARD AND INJURY DATA

Among the 1.2 million fires attended by fire services annually, an estimated 750,000 of these are residential fires in one and two family homes and apartments. Fire is the second most frequent cause of accidental death in the home of persons of all ages.

Fire kills approximately 7,800 U.S. citizens annually; almost a quarter of a million persons are injured. Residential fires cause about 5,500 deaths. Available data indicate that the segment of the population at greatest risk are the very young and the elderly. The elderly have the highest death rate. Fire is the number one cause of death among children under 14 in the home. The

Federal Emergency Management Agency (FEMA) estimates that 75 percent of fire deaths are the result of smoke inhalation. Many of these deaths could have been avoided if the home had a properly installed and maintained smoke detector.

OBJECTIVES

Reduce injuries and deaths from smoke inhalation and fires associated with consumer products in the home and other products by:

- promoting the purchase, installation and maintenance of smoke detectors in homes and apartments.
- building local interest in legislation mandating smoke detectors in houses and apartments.

HISTORY

The program was launched on Monday, October 4, 1982 when the Commissioners conducted an all day public meeting for purposes of gathering information on the fire problem, reliability and use of smoke detectors, and information activities. As a follow-up to that meeting, the staff has successfully involved several national consumer and industry organizations in the program.

A program plan was prepared and some of the recommendations provided during the above meeting are incorporated in the program plan.

A few of the highlights to data include the following:

o The Department of State has agreed to print 100,000 copies of our booklet What You Should Know About Smoke Detectors and will be distributing them to their overseas installations.

o Requests for negatives of our smoke detector booklets for reprinting by other organizations are steadily increasing.

o The Wood Heating Alliance (WHA) has agreed to give free exhibit space at their international trade show in March 1983 to any distributor or manufacturer who donates 100 smoke detectors to the CPSC project.

o 123 state and local communities are currently conducting smoke detector programs, i.e., either information programs and/or smoke detector give-away programs or selling detectors at cost.

o 57 state and local communities are in the process of planning smoke detector programs (information and education and/or smoke detector give-aways or selling detectors at cost).

o 430 state and local communities conducted programs between 10/1/82 and 1/83 and/or are conducting follow-up activities to programs conducted prior to 10/1/82.

- 14 communities have mounted the CPSC transit card on buses at no expense to CPSC.
- one community has reproduced at their expense 190 transit cards and had them mounted on buses.

We are continuing to work with Federal agencies, national organizations and businesses, education systems, state and local governments to encourage them to participate in the program.

MILESTONES

FY 1983

- October 1982 - Public Hearing in Washington, D.C. to gather information.
- November 1982 - September 1983 - Encourage state and local governments to conduct smoke detector programs; encourage national organizations, businesses and industries to assist in the conduct of information efforts; continue activities with other Federal agencies.

  Pursue media outlets and resources to encourage their cooperation and support.
- February 1983 - Prepare four month status report and distribute to Commissioners.

  Contacts with major insurance companies to encourage consideration of reduction of premiums to homeowners who install and maintain smoke detectors.
- March 1983 - Briefing to the Commission on status of the program.
- March 1983 - September 1983 - Develop content for a smoke detector unit for elementary grades; print and distribute to State Departments of Education with a request that the unit be promoted throughout the state system and used during Fire Prevention Month in October 1983.
- April 1983 - Submit print order for reprinting of materials.

  Prepare and distribute letters to Members of Congress inviting their participation in the program.
- March 1983 - September 1983 - Prepare and distribute articles to magazines and organization house organs.
- June 1983 - September 1983 - Develop and distribute media materials.
- September 1983 - FY 1983 program ends.

FY 1984

- October 1983 - FY 1983 report prepared and distributed.

  FY 1984 program launched coinciding with Fire Prevention Month and the launching of the Home Heating Appliance Information Program.

- October 1983 - September 1984 - Continuation of and expansion of efforts begun in FY 1983 with national organizations, insurance companies, businesses and industries, education systems, state and local governments, Federal agencies, and the media.

- February 1984 - Four month status report prepared and distributed.

- September 1984 - FY 1984 program ends.

- October 1984 - Final report prepared and distributed.

INDOOR AIR QUALITY - FUEL FIRED APPLIANCES
(FY 1983 Resources $303,300)

HAZARD AND INJURY DATA

Unvented gas space heaters (UVGSH) and kerosene heaters, like other unvented appliances, emit the products of combustion directly into the indoor air. Much attention is now focused on kerosene heaters because of their sudden surge in sales. U.S. sales have increased from about 3,500 in 1974 to 4.5 million in 1982. Some nine million kerosene heaters may be in use in consumers homes. Additionally, in 1970 some 3.7 million homes had unvented gas space heaters as the primary method of heating. Current estimates are that over 5.5 million unvented gas space heaters may now be in use. Use of unvented, portable heating appliances is likely to continue to increase as consumers seek alternative heat sources in the face of rising energy costs.

The hazard to the millions of families which use unvented fuel-fired appliances results from the by-products produced by the burning flame. These indoor air pollutants (carbon dioxide, carbon monoxide, nitrogen dioxide, sulfur dioxide, formaldehyde, particulates and others) have the potential to contribute to respiratory disease and lung dysfunction in children, to increase the problems and discomforts of angina patients, and generally to affect adversely the health of consumers.

The use of kerosene heaters or unvented gas space heaters in residences may result in a significant deterioration of indoor air quality. The use of unvented heaters exposes a consumer to respiratory irritants, including nitrogen dioxide, sulfur dioxide, and formaldehyde. These pollutants may particularly affect individuals with pre-existing pulmonary diseases such as bronchitis, asthma, and emphysema. Several studies suggest that high, short-term exposure to nitrogen dioxide may increase susceptibility to respiratory disease, especially in children.

Studies are now underway by researchers in the environmental health community to better understand the relationship between the use of these appliances and any increased mortality and morbility.

OBJECTIVES

- Determine the effect of kerosene heaters and UVGSH on indoor air quality.
- Develop voluntary standards to reduce consumer exposure to pollutant gases from fuel-fired appliances.
- Develop consumer education/information materials to assist consumers in reducing exposure to pollutants.

HISTORY

The Commission became concerned about the possible health effects of prolonged exposure to carbon monoxide and other pollutants emitted by unvented gas space heaters (UVGSH) during the Commission's investigation of acute carbon monoxide poisoning from UVGSH. Although a regulation was adopted requiring that UVGSH be equipped with oxygen depletion sensors to prevent deaths from CO poisoning, the Commission recognized that the effect of unvented heaters on indoor air quality needed further investigation. During FY 1981 funding was allocated to study this problem.

A study was begun at Lawrence Berkeley Laboratory (LBL) to estimate consumer exposure to a number of pollutants, including carbon monoxide, carbon dioxide, nitrogen oxide, nitrogen dioxide, formaldehyde and particulates, emitted by unvented gas space heaters. The study consisted of a first phase of testing in a controlled experimental chamber and a second phase of field testing in a test house. Although the Commission desired to include kerosene heaters in this testing during FY 1982, budget cuts eliminated the contract funds. When funds became available for FY 1983, LBL was already committed to work for the Department of Energy and was unable to begin testing kerosene heaters until March 1983. After considering other options the Commission decided to conduct the testing of kerosene heaters in its own laboratory facilities. The staff modified an existing combustion testing chamber, obtained the necessary equipment, and began phase I testing of kerosene heaters in November 1982.

The Commission is testing different types of kerosene heaters from different manufacturers. CPSC will evaluate the combustion emissions during normal use and under reasonable conditions of maladjustment (e.g. varying wick heights, different fuels and additives, dirty wicks, and burning to empty).

The experimental chamber testing being conducted by CPSC will add to the information on emission rates published by independent researchers. The totality of that information will provide a broad understanding of emission rates. However, in order to estimate the probability of harm to human health, this emission rate data needs to be mathematically modeled. The emission rate data can be used to determine the actual levels of pollutants which may occur in consumers' homes. However, doing that modeling requires information on how consumers use the heaters, what BTU size heaters are normally used and what absorption of the reactive pollutants such as nitrogen oxides, sulfur oxides, and formaldehyde occurs in the home. Therefore, we are contributing funding to a study already underway, which will provide for actual pollutant measurements in homes as well as some information on consumer use patterns.

The National Kerosene Heater Association is cooperating with CPSC and is funding other studies on consumer use patterns and on in-home testing. The kerosene heater industry also reviewed the CPSC testing procedure and has provided technical advice to our engineering staff.

The industry, interested academics, private testing organizations and CPSC are all cooperating in the planning of the necessary testing and will share the technical data developed. Through this cooperation, the information available to the Commission on the risks attendent to consumer use of kerosene heaters is being significantly enhanced.

The technical reports on testing of UVGSH are being evaluated by academics, industry experts and experts from consumer sponsored research organizations. The staff will provide the Commission with preliminary recommendations in March 1983. Some additional testing of new models with oxygen depletion sensors is needed before a final evaluation of emissions from UVGSH can be made. That testing will be completed by September 1983. In October the staff will evaluate the success of voluntary efforts and recommend whether regulatory action is needed.

MILESTONES

FY 1983

- March 1983 - Complete preliminary recommendations to Commission on UVGSH.
- May 1983 - Complete emissions testing (in-house) of kerosene heaters.
- June 1983 - Complete recommendations to Commission on kerosene heaters.
- September 1983 - Complete evaluation of existing research and plan for future testing of other fuel-fired appliances including cabinet heaters, gas ranges, and coal/wood stoves.

FY 1984

- October 1983 - Complete evaluation of success of voluntary standards activities on kerosene heaters and UVGSH. Additional action depends on Commission decisions.
- June 1984 - Complete recommendations to Commission for gas ranges. Additional action depends on Commission decisions.

- August 1984 - Complete recommendations to Commission on coal/wood burning stoves and other products. Additional action depends on Commission direction.

POST FY 1984

These project efforts are likely to continue into FY 1985 and FY 1986 as new supplemental heating devices are developed, and present technology heaters are upgraded and improved. The Commission's activities may include emissions testing, development of voluntary or mandatory standards, and the development of safety information for consumers.

CHILDREN'S CHEMICAL HAZARDS
(FY 1983 Resources $223,800)

HAZARD AND INJURY DATA

Two chemicals which have been demonstrated to be carcinogenic in animals are present in infants' products: nitrosoamines and di(2-ethylhexyl) phthalate (DEHP). These compounds have now been shown to migrate into the saliva from the infant products, and can be ingested by infants. Of the 209 nitrosoamines tested to date, 85 percent have been shown to induce cancer in laboratory animals. N-nitroso compounds have induced tumors in all species tested to date. N-nitroso compounds affect different organs and tumors arise from varied cell types depending upon the species.

The finding that DEHP causes cancer in animals has raised concern over human health implications of the widespread use of phthalates as plasticizers in PVC consumer products. Several complex scientific issues are joined in the discussion of the health effects of DEHP. Prominent scientific review bodies have concluded that DEHP is an animal carcinogen. Available animal test results also indicate that exposure to DEHP causes reproductive effects, and may cause birth defects. However, the mechanism through which DEHP causes cancer or teratogenic effects in animals is unclear and knowledge of this mechanism is important for the estimation of human risk.

We do not yet have enough exposure information to permit accurate estimation of the number of cancers which could occur from current exposure from infant products. The product testing now underway on nitrosoamines will provide information for risk assessments no later than May, 1983. However, even upon completion in the third quarter of the exposure testing for DEHP, scientific uncertainty about the mechanism of DEHP toxicity may make estimations of human risk difficult.

OBJECTIVES

- Determine the potential exposure of infants to nitrosoamines present in rubber pacifiers.

- Work with the U.S. distributors of rubber pacifiers to reduce/eliminate nitrosoamines and nitrosatable amines from pacifiers.

- Cooperate with the toy and juvenile products industry and with the Chemical Manufacturers Association and the National Toxicology Program in conducting an evaluation of whether a potential risk is posed to children from the presence of di(2-ethylhexyl) phthalate in children's products. If necessary, the staff will work with the industry to choose appropriate substitute plasticizers for DEHP.

HISTORY

In December 1981, the Organization for Economic Cooperation and Development (OECD) notified the Consumer Product Safety Commission that tests of European baby pacifiers and bottle nipples made of rubber had shown high concentrations of several nitrosoamines. At the time of the OECD notification, there was no information that domestic latex rubber contained nitrosoamines. CPSC staff conducted a screening of the nitrosoamines identified in European products to determine their toxicity and whether they were intentional ingredients in American rubber processing. The Food and Drug Administration conducted tests on a variety of American-made rubber nipples and found that several nitrosoamines migrated from the bottle nipple into formula, juice and water. In September 1982, at CPSC's request, FDA did some limited testing of pacifiers and confirmed that the pacifiers also contained substantial quantities of nitrosoamines. During October and November 1982, the Commission staff inspected all known manufacturers/distributors of pacifiers and collected samples for testing. Arrangements were made with the American Health Foundation and the National Center for Toxicological Research to test pacifiers to determine the amount of nitrosoamines present in the pacifier and the quantities which, through migration into saliva, may be ingested by infants.

Results from Phase I testing of pacifiers were received in early January. The staff met with the pacifier industry the following week. The staff provided distributors with the results of Phase I testing of samples of their products for the presence of nitrosoamines. Phase I testing involved total extraction of volatile preformed nitrosoamines from the 28 pacifiers. The results from this methylene chloride extraction testing provided a range of levels of preformed nitrosoamines available in the pacifiers. Phase II testing, which began in January at the National Center for Toxicological Research, will provide information on the amounts of nitrosoamines that may be released into the baby's saliva. Specifically, the testing will provide data on 24-hour saliva testing for selected pacifier samples. Additionally, certain samples will be subjected to multiple saliva extractions over a two week period to measure more precisely a baby's total exposure by accounting for the in situ formation of nitrosoamines in the pacifier over the course of its use. Final results will be available in May, 1983.

The CPSC staff anticipates that the industry will voluntarily reduce or eliminate nitrosoamines from pacifiers. The staff will continue to encourage actively the industry to do the work necessary to determine the maximum extent to which nitrosoamines can be reduced, and if elimination is technologically achievable.

Based on current information, this effort can be largely completed during FY 1983. If voluntary efforts are not successful, regulatory development efforts will be initiated by the formation of a Chronic Hazard Advisory Panel on nitrosoamines.

The effort on DEHP began in FY 1982 with an economic market assessment and preliminary exposure tests. A status report was forwarded to the Commission in January 1982. These briefing materials contained an in-depth toxicologic assessment (carcinogenicity, mutagenicity, teratogenicity, metabolism, pharamacokinetics, etc.), the preliminary results of exposure testing of DEHP release, economic information, and information on a myriad of interagency and industry efforts. This report was praised by the Phthalate Panel of the Chemical Manufacturers Association in a February presentation to the Commission.

Studies on exposure to DEHP, completed to date, support the Commission's decision, as noted in the FY 1983 Operating Plan, to concentrate staff efforts on exposure to DEHP from children's products. The preliminary exposure test results demonstrate that infants will be exposed, and point to a need for more stringent investigation of the extent of infant exposure through contact with plastic products containing DEHP. Such exposure testing, now underway, will be completed in May, 1983.

Additional research activities by the National Toxicology Program (NTP), by the Chemical Manufacturers Association (CMA), and by various national and international groups is planned or underway. These experimental efforts may shed sufficient light on the unresolved scientific issues to permit an assessment of the human health implications of phthalate oncogenicity in animals.

Upon completion of the exposure testing underway, and review of the results of the relevant research now being conducted, the staff will provide an assessment of the likelihood of human risk. Based on the more extensive evidence which will be developed by the CPSC testing program, and by the NTP and the CMA investigations during the remainder of FY 1983, the staff will present recommendations to the Commission, in July 1983, on whether or not to convene a Chronic Hazard Advisory Panel on phthalates.

MILESTONES

FY 1983

- January 1983 - Status report on toxicity and exposure information currently available on DEHP.
- January 1983 - Meeting with industry to present results of testing on nitrosoamines in pacifiers.
- May 1983 - Complete testing to evaluate exposure to DEHP from infant products.
- May 1983 - Complete testing to evaluate exposure of infants to nitrosoamines and nitrosatable amines from pacifiers.
- June 1983 - Convene a Chronic Hazard Advisory Panel on nitrosoamines, if appropriate.

- July 1983 - Complete recommendations to the Commission on convening a Chronic Hazard Advisory Panel on phthalates.

- September 1983 - Complete recommendations to the Commission on the success of voluntary efforts concerning nitrosoamines in infant products.

FY 1984

- January 1984 - Report of Chronic Hazard Advisory Panel on nitrosoamines if convened.

- February 1984 - Recommendations to the Commission on remedial strategies for nitrosoamines in selected products if voluntary efforts are not successful. Future action depends on Commission decision.

- May 1984 - Report of Chronic Hazard Advisory Panel on phthalates.

- June 1984 - Recommendations to Commission on remedial strategies for DEHP in selected products. Future action depends on Commission decision.

DUAL PURPOSE PACKAGING
(FY 1983 Resources $271,800)

HAZARD AND INJURY DATA

The primary hazard addressed by this priority project is serious illness or death to young children who accidentally ingest hazardous household chemical products. Serious injuries, such as chemical burns or allergic reactions, may also result when young children are accidentally exposed to these products. The inadvertent or intentional use of dual purpose packaging in the non-child resistant mode may result in increased exposures of young children to these hazardous products.

An estimated 266,000 accidental ingestions occur annually from household chemical products. Currently, information is not available on the proportion of these ingestion incidents that are associated with dual purpose packaging. The staff is concerned that, should the use of dual purpose packaging become more widespread, increased consumer awareness of the dual purpose concept will result in more consumers using the packaging in the simpler, and more convenient non-child resistant mode. This could result in an attendant increase in the risk of accidental ingestions by young children.

OBJECTIVES

- Minimize the use of non-child resistant packaging for products regulated under the Poison Prevention Packaging Act (PPPA).

- Prevent a decrease in the current level of effectiveness of PPPA standards.

HISTORY

In 1975, at the request of a packaging manufacturer, CPSC staff reviewed data on a prototype dual purpose package, and advised the manufacturer that this type of package was not in violation of PPPA regulations if the packages met the effectiveness specifications of the PPPA, when dispensed in the child-resistant mode. Dual purpose packaging first appeared on the national market in 1978. Subsequently, several major packaging manufacturers questioned the legality and safety of dual purpose packaging, and requested that the Commission prohibit the use of this type of packaging. These manufacturers stated that, should the Commission fail to take this action, economic considerations would force them to convert their child-resistant prescription vials to dual purpose packaging. The staff estimated that this would result in the major portion of child-resistant prescription vials, and possibly other packaging designs, becoming dual purpose packaging; and that the non-child-resistant feature would present an increased risk of accidental ingestions by young children. The staff conducted an investigation of dual purpose packaging, and in 1981, recommended that the Commission prohibit the use of the dual purpose concept for packages used to comply with child-resistant packaging requirements. Proponents of dual purpose packaging suggested that the dual purpose concept should not be prohibited unless it could be shown, by actual injuries or usage patterns, that dual purpose packaging presents a greater risk of accidental childhood ingestions than other types of child-resistant packaging.

The Commission vote on the issue resulted in a split decision; consequently, dual purpose packaging may continue to be used for products requiring child-resistant packaging. The Commission directed the staff to monitor the effect of dual purpose packaging on accidental childhood ingestions, and notified the public that the Commission may reconsider the issues at a later date, in light of new information. In FY 1983, the Commission initiated a study of accidental ingestions to determine the feasibility of evaluating the impact of dual purpose packaging on acciental ingestions.

MILESTONES

FY 1983

- February 1983 - Complete evaluation of study proposals for measuring the incidence of accidental ingestions attributable to dual purpose packaging. Make recommendations for future action. Preliminary evaluation indicates that it may not be feasible to conduct such a study at this time, due to the low market share of dual purpose packaging.

- March 1983 - Design a limited study which will utilize one or two poison centers to test the methodology, and to determine the feasibility of evaluating the impact of dual purpose packaging on accidental childhood ingestions.

- Remainder of 1983 - If Commission decides to proceed with a limited ingestion study, conduct survey of ingestion incidents.

FY 1984

- Ongoing FY 1984 activity - Complete survey of ingestion incidents, and analysis of survey results. Make recommendations for Commission action. Future action depends on Commission decision.

PHARMACY/MEDICAL COMMUNITY AWARENESS
(FY 1983 Resources $271,800)

HAZARD AND INJURY DATA

The hazard addressed by this priority project is serious illness or death to young children who accidentally ingest hazardous prescription drug products.

Of an estimated 266,000 accidental child ingestions which occur annually, an estimated 20,000 are associated with prescription drugs. Of the products and product categories regulated under the Poison Prevention Packaging Act (PPPA), only prescription drugs have not shown a dramatic drop in ingestions.

OBJECTIVES

Improve safety by increasing the effectiveness of the PPPA prescription drug standard through:

- education efforts to raise the awareness among physicians and pharmacists of the PPPA and its provisions.
- increased enforcement of the pharmacy aspect of the prescription drug standard by the states.
- participation in professional meetings of national pharmaceutical organizations for purposes of seeking project support.

HISTORY

Refer to Hazard and Injury Data section. Commission concern over the ingestion of prescription drugs led to this priority project in FY 1983.

MILESTONES

FY 1983

- October 1982 - September 1983 - Conduct regional PPPA seminars for pharmacists.
- December 1982 - Complete surveys of 50 states to determine current level of PPPA compliance activities within each state.

- February 1983 - Continue development of Memoranda of Understanding with individual states to provide for enforcement of the prescription drug standard by the states.

- March 1983 - Working with pharmacy and medical schools, develop PPPA syllabus for use in the schools.

- August 1983 - Complete PPPA syllabus and distribute to pharmacy schools for pilot testing.

FY 1984

- October 1983 - September 1984 - Conduct regional PPPA seminars for pharmacists.

- February 1984 - Complete pilot testing and revision of PPPA syllabus; distribute completed syllabus to schools for use during the spring semester.

- September 1984 - Continue development of Memoranda of Understanding with individual states to provide for enforcement of the prescription drug standard by the states.

POST FY 1984

- Continue cooperative efforts with states.

SCHOOL LABORATORY CHEMICALS
(FY 1983 Resources $163,200)

HAZARD AND INJURY DATA

High school students and teachers may be exposed to potential carcinogens found in many school labs. CPSC has surveyed selected high school science labs and found carcinogens (such as benzene, carbon tetrachloride, and benzidine) on the shelves.

OBJECTIVES

- Update the National Institute of Occupational Safety and Health (NIOSH) lab safety manual to include CPSC information about carcinogens and ways to avoid exposure.

- Work with the Council of State Science Supervisors and other groups to disseminate the updated lab safety manual to teachers and students, and communicate with textbook publishers to eliminate the use of potential carcinogens in chemical experiments.

HISTORY

In FY 1981, CPSC surveyed several high school laboratories and discovered some potential carcinogens on the shelves. In FY 1982, CPSC "screened" these chemicals to determine what chronic hazard they might present. In addition, CPSC held a public meeting to discuss the potential hazards and ways of reducing exposure; more than 30 industry, educational, government, and consumer groups were represented at the meeting.

MILESTONES

FY 1983

- October-December 1982 - CPSC completed "screening" of suspected carcinogens.
- January-March 1983 - CPSC proposed contract with Council of State Science Supervisors to update and disseminate the NIOSH lab safety manual.
- April-September 1983 - CPSC, NIOSH, and Council of State Science Supervisors update manual and communicate with text book publishers, industry, school organizations, and consumers concerning recommendations for reducing exposure to potential carcinogens.

FY 1984

- October-December 1983 - Council of State Science Supervisors disseminates updated lab safety manual to state science supervisors and teachers, through lab safety training courses conducted by the Council.

CHAIN SAWS
(FY 1983 Resources $1,080,000)

HAZARD AND INJURY DATA

The primary hazard associated with chain saws is nose tip kickback. It is caused by contact between the moving saw chain at the upper tip of the guide bar and another object. Other chain saw hazard patterns involve pinch kickback, loss of control during follow through, and contact with the moving chain during various other scenarios.

In 1982 it is estimated that there were over 133,000 medically attended injuries associated with chain saws.

Chain saw kickback, the sudden uncontrolled upward and backward motion of a chain saw, accounted for 30,000 of these injuries. An estimated 50 deaths per year associated with chain saws have occurred over the past three years. Chain saw kickback appeared to be a factor in about half of these deaths. The remaining injuries and deaths are associated with non-kickback scenarios.

OBJECTIVES

- Develop a mandatory product safety standard to address the kickback hazard. In addition, participate in the on-going effort to develop a voluntary standard designed to eliminate chain saw kickback deaths and to reduce the potential for kickback injury by 80 percent as an alternative to a mandatory standard.

- Collect and analyze injury data on non-kickback injuries needed to provide a basis for future upgrading of the chain saw voluntary standard to reduce the non-kickback injuries.
- Inform the public about chain saw hazards and new technology replacement saw chain which can reduce the kickback potential of older saws currently in use by consumers.

HISTORY

The Commission undertook a study of chain saws in the third quarter of FY 1977 in response to a petition from a consumer. In FY 1978, CPSC established a joint project with industry to develop a voluntary standard which addressed chain saw kickback. Concurrently, industry developed a standard for chain saws that, while not addressing kickback from a performance standpoint, addressed other than kickback injuries. This standard was submitted to ANSI in late FY 1979 as the first B175 standard for chain saws. Meanwhile, the joint CPSC-industry standards effort resulted in the development of an amendment on chain saw kickback which was, in turn, submitted to CPSC in FY 1979.

The Commissioners rejected the proposal on grounds that it did not adequately address the kickback hazard. After considering extensive comments from the CPSC staff, the Chain Saw Manufacturers Association undertook the effort to revise the kickback amendment and resubmitted it to the Commission and to ANSI in FY 1981. Meanwhile, during the FY 1979-1981 period, CPSC initiated proceedings to develop a mandatory standard for chain saws.

As a result of the Omnibus Reconciliation Act of August, 1981, the CPSC was required to reinitiate these proceedings by publishing an advance notice of proposed rulemaking to develop a proposed standard. Under the new provisions of the Act, CPSC is actively participating in the ongoing ANSI efforts to amend the kickback provisions of the B175 standard.

CPSC's continuing technical support for the ANSI effort has contributed to the success of the voluntary standards program for chain saws. It has accelerated the design of new technology saw chains and guide bars that have the capability of reducing kickback energy by as much as 90 percent; today, almost 75 percent of the new saws reaching the market are equipped with the new technology chains and guide bars. Essential to the voluntary standard is the analytical/computer model developed by the industry and CPSC staff to address the kickback hazard. Hand-held tests have been performed at the CPSC laboratory to relate tests to real accident situations encountered by the consumer.

Apart from these contributions, CPSC has investigated kickback limits for many chain saws, has assessed the effectiveness of the proposed standard thus far, and continues to gather information needed to make an economic assessment of the potential impact of a mandatory standard, if such a standard were to become necessary.

MILESTONES

FY 1983

- October-December 1982 - Community service demonstrations held in all regions of the country to dramatize accidental potential of chain saws and how to minimize risk of chain saw kickback.

- March 1983 - Staff briefing package to the Commission on progress in voluntary standards development and an analysis of safety features currently in production.

- February-April 1983 - Continue information and education effort aimed exclusively at reducing chain saw kickback injuries and deaths.

- June 1983 - Preliminary analysis of FY 1982 chain saw injury data.

- August 1983 - Complete draft standard and draft technical rationale.

- September 1983 - Analysis of FY 1983 kickback and non-kickback injuries.

- September 1983 - Staff briefing package to the Commission containing recommended proposed standard.

- September 1983 - Issue proposed standard.

FY 1984

- December 1983 - Complete plan to develop final standard.

- March 1984 - Final report on FY 1982-FY 1983 chain saw kickback and non-kickback injuries.

- September 1984 - Briefing package to the Commission containing recommendations on final standard and certification rule.

FY 1985

- Survey to determine compliance with the kickback standard; also, determine the market penetration of "new technology" saw chain and guide bar in the replacement market.

- Participate with industry through ANSI procedures to address pinch kickback and non-kickback injuries. Injury data/investigations analysis is needed to establish feasibility of standard development. If a standard is developed it could take 2 to 5 years depending on the technical complexity of the proposed approach, (i.e., analytical model vs. design).

- Continue information and education programs for pinch kickback, non-kickback injuries and "new technology" saw chains and guide bars.

- Collect chain saw injury data/investigations to support pinch kickback and non-kickback standards development, and kickback injuries for determination of injury reductions attributable to the kickback standard.

FORMALDEHYDE RELEASED FROM PARTICLEBOARD AND/PANELING
(FY 1983 Resources $477,900)

HAZARD AND INJURY DATA

Most interior grades of particleboard and plywood (including wall paneling) are manufactured with urea-formaldehyde resins which serve as an adhesive/binder. The Commission is aware of a substantial number of reports of adverse health effects from mobile and conventional home residents whose symptoms are believed to be related to formaldehyde emission from these products.

The Department of Housing and Urban Development is preparing a proposed rule to limit formaldehyde emission from particleboard and plywood used in mobile home construction because of a growing number of complaints of adverse health effects associated with formaldehyde from mobile home residents. Additionally, the States of Wisconsin and Minnesota have laws/regulations limiting the ambient formaldehyde levels in conventional and/or mobile homes.

The Commission is aware of over 2,100 consumer complaints involving an estimated 3,700 persons exposed to particleboard and plywood primarily in mobile and conventional homes. About 80 percent of these complaints are from mobile home residents or owners of recreational vehicles, and the remaining 20 percent are from conventional home residents and occupants of public buildings.

The adverse health effects reported by complainants are consistent with those reported in the medical literature as resulting from formaldehyde exposure. Frequently reported health effects include burning and itching eyes, nose and throat irritation, difficulty in breathing, nausea, dizziness, and skin rash. Less frequently reported symptoms include nosebleeds, swollen glands and loss of memory. Some of the reported health effects have been severe enough to require hospital treatment and a number of the complainants have been advised by a physician to move out of their residences. Some physicians have reportedly diagnosed the symptoms as reactions to formaldehyde.

In addition to the acute health risks, formaldehyde has been found to cause nasal cancer in laboratory animals. It is not known at this time whether formaldehyde causes cancer in humans; however, many leading scientists and scientific groups have stated that formaldehyde should be presumed to pose a carcinogenic risk to humans.

OBJECTIVES

- Determine the extent to which formaldehyde emissions from pressed wood products manufactured with urea-formaldehyde resins and used in conventional homes contribute formaldehyde gas to the living environment.

- Determine the alternatives available to pressed wood manufacturers for reducing formaldehyde emissions from their products.

- Evaluate methods of measuring formaldehyde emissions from pressed wood products and relating them to expected room air concentrations.

HISTORY

In FY 1981, the Commission initiated a project on formaldehyde emissions from pressed wood products manufactured with urea formaldehyde (UF) resins. The project was initiated because of a growing number of consumer complaints, primarily from mobile home residents. The original intent of the project was to review existing domestic and international standards for measuring and controlling formaldehyde emissions and work with industry in the development of a voluntary standard to limit formaldehyde emissions.

During FY 1982, the Oak Ridge National Laboratory developed, under contract to the Commission, a device for measuring formaldehyde emissions directly from the product surface. This device, currently still under development, may be useful to industry in improving its existing test methods for measuring formaldehyde as part of its plant quality control process.

Near the end of FY 1982, the Department of Housing and Urban Development decided to develop a standard to control formaldehyde emissions from particleboard and paneling used in mobile homes. Although the standard has not yet been proposed, the Commission decided at the end of FY 1982 to limit its work to investigating the risk associated with formaldehyde emitted from pressed wood products used in conventional homes.

MILESTONES

FY 1983

- February 1983 - Initiation of a product survey to determine the formaldehyde emission characteristics of various pressed wood products.

- August 1983 - Develop information on the consumer end-use and loading of pressed wood products.

- September 1983 - Develop information on the state-of-the-art of urea-formaldehyde resins as well as information on alternative resin systems.

- September 1983 - Provide the Commission with a preliminary formaldehyde exposure and risk assessment from pressed wood products in conventional homes.

- September 1983 - Provide data on the reliability of various methods for measuring formaldehyde emissions from pressed wood products.

- September 1983 - Briefing Package on alternatives.

FY 1984

- September 1984 - Complete the exposure and risk assessment on formaldehyde emitted from pressed wood products in conventional homes that was begun in FY 1983.
- September 1984 - Recommend to the Commission whether a standard (voluntary/mandatory) is needed to address the risk of injury based on the results of the risk assessment.
- September 1984 - Provide the Commission with a summary of requirements that would be needed for a standard.

POST FY 1984

- Based on guidance received from the Commission, initiate appropriate activities to develop requirements for a voluntary standard. Work may continue in FY 1985.
- Monitor industry development of standard or initiate rulemaking procedures.
- Continue cooperative efforts with industry to reduce formaldehyde emissions.

CONSUMER PRODUCT SAFETY COMMISSION
FY 1984 PRIORITY PROJECTS

The following FY 1984 priority projects were also priorities in FY 1983. Information on these projects is provided in the discussion of FY 1983 priorities.

1. Smoldering Ignition (FY 1984 resources $435,500)
2. Gas Heating Systems (FY 1984 resources $541,900)
3. Indoor Air Quality - Combustion Products (FY 1984 resources $507,200)
4. Chain Saws (FY 1984 resources ($653,100)
5. Particleboard and Paneling (FY 1984 resources $569,600)

CHLOROCARBONS
(FY 1984 resources $579,100)

HAZARD AND INJURY DATA

The National Cancer Institute has recently completed a bioassay on perchloroethylene (PCE) which appears to confirm earlier studies showing that PCE is an animal carcinogen. The results of this bioassay must be reviewed by a Board of Scientific Counselors appointed by the National Toxicology Program (NTP) before final conclusions are issued. In addition, preliminary results of one of the ongoing epidemiologic studies indicate an increased incidence of cancer among workers in commercial dry cleaning plants.

Data show that consumers using coin operated drycleaning machines, or doing laundry in facilities where they are located, can be exposed to levels of PCE from .040 to 4.9 ppm if the laundromat is well ventilated and 15 ppm if it does not have adequate ventilation.

A 1980 industry study showed that dichloromethane (DCM) is associated with a significant incidence of salivary gland sarcoma in male rats through the inhalation route. The National Toxicology Program has recently completed a two year bioassay in which rats and mice were administered DCM by gavage. The study found DCM to be carcinogenic in male and female rats. Another NTP bioassay on DCM by inhalation is underway.

U.S. production of dichloromethane exceeded 500 million pounds in 1976. The chemical is widely used as a paint remover. Estimated annual sales of retail-size units of paint remover are 135 million units, having a concentration of DCM ranging from 30 to 90 percent. Tests conducted by the Commission indicate room air levels of 250 ppm to over 2,000 ppm during simulated paint stripping operations. It is also estimated that between 80 million to 440 million aerosol units are produced annually and contain from 10 to 30 percent DCM, with up to 55 percent DCM used in some aerosol paint formulations.

We do not yet have adequate exposure information, nor is sufficiently detailed information from the animal bioassays currently available, to permit accurate estimations of the number of cancers which might occur from current exposure of consumers to these products. Work to be completed during FY 1984 should allow us to provide reasonable estimates of the increased risk of cancer.

OBJECTIVES

- Evaluate the data on the carcinogenicity of PCE and DCM.
- Evaluate the extent of consumer exposure to DCM and PCE.
- Determine whether DCM or PCE as used in consumer products present an unreasonable risk to consumers.
- Develop remedial strategies, if appropriate, for DCM products and for consumer exposure to PCE.

HISTORY

The Commission has been concerned with consumer exposure to perchloroethylene (PCE) since a 1977 National Cancer Institute bioassay found PCE carcinogenic in mice, but not in rats. In August 1981 the Commission staff decided to expend no further resources on PCE until a second bioassay was completed.

In 1979 Battelle, Columbus Division, completed a report for the Commission on the use of perchloroethylene which concluded that PCE was the most commonly used solvent in the drycleaning industry.

As of 1979 there were about 10,000 self-service (coin-operated) drycleaning establishments, mostly laundromats which also had coin-operated washers and dryers.

In August 1980, the Commission staff completed an in-depth review of the toxicologic literature on the health effects of perchloroethylene. In 1980 the Commission and EPA also undertook a joint project to determine the potential extent of consumer exposure to PCE. This joint monitoring study measured PCE concentrations in the air at six coin-operated establishments in the vicinity of Washington, D. C.

In an August 1981 briefing package, the Commission staff recommended that no further Commission resources be expended on PCE until the results of the second bioassay on PCE, then underway, became available. The staff also noted that several epidemiologic studies of workers exposed to PCE were underway.

MILESTONES

FY 1984

- January 1984 - Complete in-depth review of toxicity information on dichloromethane
- February 1984 - Complete in-depth review of toxicity information on perchloroethylene
- March 1984 - Convene Chronic Hazard Advisory Panel on dichloromethane
- April 1984 - Convene Chronic Hazard Advisory Panel on perchloroethylene
- May 1984 - Complete survey of consumer use patterns for coin-operated drycleaning establishments
- May 1984 - Complete assessment of engineering control technologies for coin-operated drycleaning establishments
- July 1984 - Complete economic impact analysis of control technologies for coin-operated drycleaning establishments
- July 1984 - Complete Chronic Hazard Advisory Panel report on dichloromethane
- July 1984 - Complete testing to determine consumer exposure to DCM/PCE through use of household chemical products
- August 1984 - Complete Chronic Hazard Advisory Panel report on perchloroethylene
- August 1984 - Complete recommendations for remedial strategies on DCM in products
- September 1984 - Complete recommendations for control technologies for PCE and publish advance notice of proposed rulemaking (ANPR), if approrpriate

FY 1985

- October 1984 - Publish ANPR, if appropriate on DCM in products

- March 1985 - Publish proposed rules, if appropriate, on PCE and DCM

FY 1986

- October 1985 - Publish final rules, if appropriate, on DCM and PCE

POISON PREVENTION PACKAGING [1]
(FY 1984 resources $650,500)

HAZARD AND INJURY DATA

The hazard addressed by this priority project is injury or death to consumers who are exposed to hazardous chemical household products.

Each year, approximately 400,000 hospital emergency room cases, and 80 deaths occur from accidental childhood ingestions, chemical burns, and other acute injuries associated with chemical household products. Accidental childhood ingestions account for about 60 percent of these incidents.

HISTORY

Prior to enactment of the Poison Prevention Packaging Act (PPPA) in 1970, accidental ingestions of household substances was a frequent medical emergency in households with young children. Aspirin was the first substance regulated under the FPPA and, when the regulation became effective in 1972, was the substance most frequently involved in accidental ingestions. The dramatic decline in reported aspirin ingestions and aspirin-related fatalaties, following its regulation, was an early indication of the effectiveness of the PPPA. Since 1972, the Commission has promulgated child-resistant packaging regulations for 14 additional household substances, which were determined to be potentially hazardous to young children. Poison Control Center data, as of 1980, indicate an overall 55 percent decline in the number of ingestions of these regulated products. The Commission's education and enforcement activities, and the activities of the Poison Prevention Week Council have played a complimentary role in reducing poisoning incidents.

OBJECTIVES

Reduce ingestion hazards by completing packaging requirements for hazardous household chemical products through:

- development of special packaging regulations for topical drugs, and for those categories of petroleum distillates which are not currently regulated. * NOTE. In the FY 1984 Budget, the Commission included special packaging for camphorated products as part of this priority project. FDA has banned camphorated oil and recent staff review has shown that other camphorated products do not appear to be involved in ingestions by children.

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[1] Dual purpose packaging, a part of this FY 1984 priority project is discussed in the materials covering FY 1983 priorities.

Increase the effectiveness of current PPPA regulations through:

- revisions to the test procedures currently used to evaluate child-resistant packaging
- development of mechanical test equipment to supplement the PPPA human test protocol
- education efforts to encourage the use of child-resistant packaging, and to support the observance of National Poison Prevention Week.

MILESTONES

FY 1984

- August 1984 - Recommendations for packaging requirements for petroleum distillates
- September 1984 - Recommendations for packaging requirements for topical drugs. Further action depends on Commission decision.
- October 1984 - Propose revisions to PPPA Protocol
- December 1984 - Propose packaging regulation for petroleum distillates

FY 1985

- May 1985 - Final regulation to revise PPPA protocol
- July 1985 - Final packaging regulation for petroleum distillates
- Ongoing FY 1984 - FY 1985 - PPPA education activities

JUVENILE SPORTS EQUIPMENT
(FY 1984 resources $540,900)

HAZARD AND INJURY DATA

During 1980, there were 1.8 million medically attended injuries to persons 5-14 years of age related to participation in 15 selected sports activities. Nearly 600,000 of these persons were treated in hospital emergency rooms. Reports of 105 fatalities associated with the same group of sports were received by the Commission (during the eight-year period from 1973 through 1980).

Based on Commission estimates, over 900,000 of the medically attended injuries were associated with football, baseball, and soccer in 1980. Between 1973 and 1980, there were over 60 deaths associated with these three sports activities.

HISTORY

The Commission, in the late 1970's, addressed several sports related hazard in a limited manner. In FY 1981, the Commission completed a special report entitled "Overview of Sports-Related Injuries to Persons 5-14 Years of Age," which revealed that over 600,000 emergency room treated sports injuries to children under 15 years of age occur annually. This report raised the Commission's awareness of these injuries and initiated efforts to address them. In FY 1983, the Commission distributed the report to various organizations, publications, and individuals to seek comment on the sports related injury data and solicit cooperation in addressing the identified injuries. In FY 1983, in-depth investigations will be assigned to obtain detailed injury/hazard information for selected sports. Additionally, Commission staff will monitor the activities of appropriate trade associations and voluntary standards organizations in order to seek furture cooperative efforts.

OBJECTIVES

- Determine extent of hazard for football, baseball, and soccer through detailed analysis of the injuries.
- Identify specific areas where changes to existing protective equipment or development of new protective equipment will reduce the hazard.
- Evaluate protective equipment to determine adequacy.
- Determine what alternatives/recommendations are appropriate to address the hazards.
- Develop cooperative relationships with appropriate sports governing bodies for the purpose of an information exchange to develop alternatives to address identified hazards.

MILESTONES

FY 1984

- Analysis of injuries.
- Conduct tests of protective equipment.
- Coordinate/cooperate with sports associations and governing bodies/trade associations/voluntary standards organizations regarding possible approaches to address hazards.
- Develop alternatives/recommendations for Commission decision.

- Briefing Package on alternatives/recommendations. Future action depends on Commission decisions.

POST FY 1984

- Implement recommendations/alternatives based on Commission guidance.
- Monitor voluntary standard development efforts.
- Develop outreach activities for specific sports activities.

SAFETY FOR OLDER CONSUMERS
(FY 1984 resources $426,800)

HAZARD AND INJURY DATA

Elderly people suffer a disproportionate number of injuries and deaths from some consumer products. Falls, burns and pollutants in the atmosphere can be more serious to older people who generally are more prone to fractures, are slower to heal and have less lung resiliency than their juniors. As a part of this project the Directorate for Epidemiology will identify those products and hazards at special risk for the elderly such as slippery surfaces, stairs, ladders, tap water scalds, appliance fires, etc. and help develop messages of warning and instruction for safe product use.

OBJECTIVES

- Determine the hazards most frequently presented to older consumers, and identify the limitations of older consumers that contribute to accidents
- Develop messages to reduce or prevent accidents
- Prepare information material (media, print, etc.) to publicize safety messages
- Work with networks serving the elderly to develop programs for delivering safety information at national and regional levels

HISTORY

Up to now, the Commission has not developed a general program devoted to the problems and needs of elderly consumers. Past information and education efforts, for example on home safety (including stairs, bathroom fixtures, architectural glass), upholstered furniture flammability, child-resistant packaging, unvented gas space heaters, electric blanket fires, etc., have acknowledged the elderly as a particularly vulnerable population, and have attempted to direct information to them. This project, however, would be the first designed specifically to serve older consumers, to identify hazards commonly presented to them and develop information to help prevent accidents.

MILESTONES

FY 1983

- January 1983 - Meeting between CPSC and American Association of Retired Persons (Safety Office) (AARP) to discuss areas of collaboration for nex year's priority project.

FY 1984

- November 1983 - Hazard data summarized and analayzed to identify products on which to focus and to suggest strategies and messages to help prevent accidents.
- December 1983 - Contract awarded to develop information materials (e.g. films or slide presentations) on product safety and older consumers.
- January 1984 - Contract awarded to AARP or other appropriate national organization to hold national conference on safety and the elderly, co-sponsored by CPSC.
- February 1984 - Establish "planning council" of AARP, Administration on Aging, and others to coordinate conference and distribution strategies.
- May 1984 - Materials available for distribution at planned conference and through existing organizational/informational networks.
- June-July 1984 - National Conference on Safety and Older Consumers held in Washington, DC. National groups, Federal, State and local governments to be involved as attendees or participants.
- August-September 1984 - Continue "councils" concerned with older consumers at national and regional levels.

SPECIFIC NATURE OF PRIORITIES

Senator GARN. In our discussions last year, I indicated that the selected priority projects should address specific consumer products. Yet two of your nine priorities for fiscal year 1984—juvenile sports equipment and safety for older consumers—are generic in nature. I am concerned that we not dilute the concept of priorities setting by including a number of catch-all categories. What are the specific goals and milestones you want to achieve in these generic priorities?

JUVENILE SPORTS EQUIPMENT

Ms. STEORTS. Mr. Chairman, juvenile sports is of particular interest to Commissioner Sloan.

Do you want to speak to that?

Ms. SLOAN. I would be glad to.

Like you, Senator, I have a number of children—four boys—and they are all involved in sports. In fact, the eldest, I am glad to say, is on a football scholarship at the University of Minnesota and is doing quite well there. Not that the team is doing well, but he is doing well.

Senator GARN. It's got to be doing better than Northwestern. [Laughter.]

Ms. SLOAN. Well, just about anything is better than Northwestern. [Laughter.]

Sorry.

Senator GARN. They had a real victory.

Ms. SLOAN. I know they had 1 in 31 games, or something.

But I do want to say that it has come to our attention that there are a number of deaths and injuries, serious injuries, every year from juvenile sports equipment. Most of the injuries have related to baseball and some to football.

We do have to look at how the products are used and whether it means that we have to go to the coaches and other people who are coaching the children and tell them that indeed they have to change some of their advice to help the children to use the products more safely or the products have to be modified to make them safe.

I won't speak on the elderly issue. That is a special issue which my eloquent friend here, Sam, can address.

SAFETY FOR THE ELDERLY

Mr. ZAGORIA. Well, the problems that we have run into in dealing with individual products have generally cut across the population range. But there are certain special ones which seem to fall particularly heavily on the elderly, things that bring about falls, such as the design of stairs and things which involve electrical appliances that many of them are dependent on. And the question arose as to how best to deal with this, both in terms of research and in terms of information and education.

As you know, the elderly are becoming an increasingly larger proportion of our entire population. So we thought that a particular focus here would help. One side effect of that has been our whole drive to try and get smoke detectors in every home. There are a lot of people who are still living in the house that they finally paid off the mortgage on and they have not taken the precaution of adding smoke detectors. What we are trying to do is to generate interest in municipalities, in counties, and in States in a voluntary program usually done in cooperation with the fire department. Baltimore had a very successful one of going through the streets, particularly in low-income neighborhoods, trying to get people to participate. They raised some money from private sources and gave away some smoke detectors in the low-income neighborhoods. Wilmington, Del., has done a similar program. Now a number of other communities are planning the same thing.

But we have come across situations in which homes have been burned to the ground, an old frame house that a family paid off the mortgage on, and there is no indication that there was a smoke detector. We have come across other situations where a house has been saved, at least the inhabitants have been saved because, as the fire chief reported, there was a smoke detector on the premises.

So these are among the things that we are trying to work on to carry out the responsibility in our statute of being concerned about the very young and also about the very old. A number of the chemical research projects also would impact particularly on the elderly.

Ms. STEORTS. Mr. Chairman, if I might just add to what Commissioner Sloan and Commissioner Zagoria said. The safety for older consumers and the smoke detector program are major public awareness programs, where I see CPSC serving as a catalyst to bring together, if you will, the multiplier groups. Once we do this, then the programs should be able to go on their own out into the localities, to then be moved forward at the grassroots level by the State and local jurisdictions.

But I do think that these are two programs that are going to have far-reaching effects as far as protection of the consumer.

Senator GARN. What I am really driving at is when you are looking at more generic priorities they might be listed as sort of developmental priorities since, in some cases, you will be trying to identify specific problems such as particular kinds of sports equipment and these might be priorities. I think it would be helpful if we could work together on developing what qualifies as a priority.

Ms. STEORTS. Fine.

Senator GARN. I am certainly not saying you shouldn't look at sports equipment, but maybe that is the beginning or the developmental priority. But then you find that, hey, there is a real problem with a particular kind of helmet or piece of equipment.

Ms. STEORTS. The juvenile sports equipment program for 1984 will focus on three sports: soccer, football, and baseball. Then I certainly agree with you that we can break that down once we get into those specific areas.

Senator GARN. Don't you have programs, Sam, for the middle-aged, which will prevent us from getting injured when we try and compete with our 16-year-old sons? [Laughter.]

I specifically refer to my junior colleague from Utah who was playing basketball with his 12-year-old and couldn't keep up with him. He severed his Achilles tendon and has been in a cast for 4 months. Some of us need to understand although our minds continue to tell us we can do things, our bodies no longer respond as we would like them to.

I also had a very shocking experience last night that I didn't think would happen for at least 2 or 3 more years. My almost 17-year-old son beat me in arm wrestling, fair and square. I simply could not put him down anymore. That is a very disturbing thing.

Ms. SLOAN. Don't feel too badly. My 12-year-old has been beating me for 3 years in arm wrestling. [Laughter.]

Senator GARN. I can't beat any of my kids at video games, either. I think my eye coordination is gone. [Laughter.]

It is a very difficult period of life I am going through.

Mr. ZAGORIA. I am sure it is only temporary. [Laughter.]

Senator GARN. No; I am afraid it is going to get worse.

SUBMITTED QUESTIONS

I hate to tell you this, but I have about 40 pages of additional questions for you. However, I will submit these questions, as well as questions from Senators Huddleston and DeConcini, for the record.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR GARN

CHANGES IN ENGINEERING SCIENTISTS AND RESOURCES

Question: The Budget Appendix contains a list of Commission programs and their associated funding. Of all the programs, "Engineering and Sciences" shows the largest decrease from the FY 83 level -- 18.2%.

How do you account for this large decrease?

Answer: The Engineering and Sciences Program contains resources for the Directorates of Engineering Sciences and Health Sciences. Most of the resources for these two Directorates are contained in the Hazard Programs and the Compliance and Enforcement Program. Resources in the Engineering and Sciences Program cover Directorate management, laboratory management and other program support costs which cannot be more specifically allocated to hazard programs or compliance projects. The decrease of $203,000 from FY 1983 to FY 1984 is the end result of the Commission's efforts to allocate as much of the $32,000,000 OMB mark as possible to hazard programs and priorities.

Question: Although your January budget request contains $910,000 for these activities, your September request at the OMB Level of funding was for $1,008,000. At this level, the decrease from FY 83 would have only been 9.4% or about half the proposed decrease.

Why have you chosen to go below the OMB Level?

Answer: The Commission reduced the resources for this program below the level proposed in the September Budget by $98,000 to meet the overall OMB directed level of $32,000,000 for the January Budget. Positions were not reduced. Funds reduced would have been used to purchase laboratory equipment and to provide certain toxicity data for the Chemical Hazards Program. These activities were considered to be less important than other projects (e.g., priority projects).

FUNDING OF PRIORITIES

Question: Last year, we discussed the issue of the level at which the priority projects should be funded. One of the concerns, and this was raised by Commissioner Statler, was the percent of total Commission funds devoted to the priority projects. A second related issue was that each of the priorities should allocate all of the resources needed subject to the nature of the work and good management practices.

What percent of the Commission's FY 83 and FY 84 budget is devoted to the identified priority areas?

Answer: In FY 1983, approximately 35 percent of hazard program resources are devoted to hazard program priority projects. About 14 percent of total available Commission resources are allocated to priority projects.

In FY 1984, approximately 43 percent of hazard program resources and 15 percent of total resources are planned for priority projects.

Question: Are you, Commissioner Statler, satisfied with this level of funding?

Answer: Our Office of Budget, Program Planning, and Evaluation has determined that priority project resources, if strictly viewed as a percentage of CPSC's total budget dollars, amount to 14 percent in FY 1983 and will be 15 percent in FY 1984. However, the more meaningful figure, as we discussed at our hearing last year, is the relationship of priority project expenditures to our discretionary resources. Viewed from this perspective, we are devoting 43 percent of such resources to our hazard program and information and education priority projects in FY 1983, and 49 percent will be devoted in FY 1984. Moreover, if Section 15 activities are factored into the equation as a priority item -- as I believe they should be since all four Commissioners have designated section 15 work as a priority -- then priority expenditures calculated as a percentage of discretionary resources amount to 55 percent in FY 1983, and will be 66 percent in FY 1984.

In answer to the second part of your question concerning the adequacy of our priority project funding level, I believe that we have made great strides in dealing with the criticisms which I raised last year concerning a lack of agency focus. A tremendous credit must go to you, Mr. Chairman, and Mr. Wallace Berger of your staff. The perseverance, demonstrated by both of you in monitoring this activity has resulted in a significant improvement in the way our scarce resources are allocated and is an excellent example of what conscientious oversight by Congress can accomplish.

Specifically, in response to your question, the Commission must continuously strive to identify those projects that present the most serious safety problems for consumers and deal with them on a priority basis. I continue to believe that we must examine, re-examine, sharply focus, and fully fund such projects and keep them within manageable limits. Presently we are dealing with nine priorities in FY 1984. While these figures represent a significant improvement over the more numerous and, in my opinion, unfocused priorities we attempted to deal with in previous years, I believe that we need to further focus our attentions in view of our very limited resources.

From a practical standpoint I agree with your comments, Mr. Chairman, made at our hearing today that the selection of priorities - with one notable exception -- ought to be limited to product-specific hazards and not general themes. That is why, for example, I voted not to make the general theme of Safety for Older Consumers a priority project. The sole exception to that principle relates to our work on product recalls pursuant to section 15 of the Consumer Product Safety Act. All of the Commissioners have gone on record and stated their view that section 15, itself, is a priority even though it is not directed to one particular product hazard. It does, however, involve a concentration of effort on identifiable products and manufacturers in a systematic and highly cost-effective manner.

I would like to see a further focusing of our priorities, perhaps bringing the number down to five or six. I would also urge additional funding of these priorities to expedite the milestones we set. This would have the effect of increasing the percentage of discretionary resources that we allocate to the Commission's priority projects. Most importantly, I believe that we are now heading in the right direction and that a significant, positive change has occurred which is wholly consonant with our mandate to protect the American public from unreasonable risks of injury.

Question: Do you, Madam Chairman, believe that more money could be productively devoted to any of these priority projects and if so, what impact would it have on the quality or timeliness of the work?

Answer: The priority projects identified for FY 1984 have been fully funded by the Commission. That is, the Commission allocated the funds believed necessary for these activities so that lack of resources would not slow the completion of these projects. At this point, I do not believe additional resources are needed for priority projects. Additional contract funds could certainly be used for non-priority projects which were reduced to meet the $32,000,000 OMB mark.

Question: One of your priorities for FY 1984 is "particleboard and paneling". In your September submission, you stated that you would "complete the exposure and risk assessment".

Why is this not included in your January description?

Answer: The wording in the January budget submission was changed to emphasize the continuation of the work from FY 1983 into FY 1984. The Commission still plans to complete the exposure and risk assessment in FY 1984.

Question: You also stated that the formaldehyde emissions might constitute a "serious" health risk. In your January submission, the word "serious" is deleted.

On what basis was this change made?

Answer: The words "may constitute a serious health risk" which appeared in the September submission were changed to "may constitute a health risk" because it was felt that the word "serious" was inappropriate until more information about the degree of risk is known. The word "serious" was not deleted because the Commission views the risk any differently now than it did in the September budget submission.

VOLUNTARY AGREEMENTS

Question: You note in your opening statement that the Commission is continuing to stress its recall program. You further state that of the almost 1,200 corrective action plans initiated by the Commission, all but about a dozen have been voluntary agreements. That is a pretty impressive record.

Would you please provide for the public record a description of those few instances where you could not reach voluntary agreement including the names of the organizations involved?

Answer: Since the Commission began in 1973, it has initiated litigation seeking to obtain corrective action in the following cases:

ADMINISTRATIVE LITIGATION UNDER SECTION 15 OF THE CONSUMER PRODUCT SAFETY ACT

CPSC Docket No.	
82-1	Sears, Roebuck & Co. and Roper Corporation; garden roto-tillers; complaint issued 2/24/82; case resolved by consent order agreement executed 12/23/82.
80-8	In the Matter of State Fair of Texas et al; skyrides; complaint issued 8/26/80; case dismissed following 1981 amendment to CPSA removing the Commission's jurisdiction over fixed-site amusement ride.
78-5	Franzus Company, Inc.; calculator adapter; complaint issued 11/9/78; case resolved by consent order agreement 3/2/79.
78-2	G.L. Electric Flasheat Co.; portable immersion electric water heater; complaint issued 3/24/78; case resolved by consent order agreement April 1979.
77-5	Ambory Corporation; portable immersion electric water heater; complaint issued 10/26/77; case resolved by consent order agreement 5/8/78.
75-16	Francis Alonzo d/b/a Mylar Starkites; aluminized kites; complaint issued 10/30/75; case resolved by consent order agreement 9/16/76.
75-9	Hillerich and Bradsby Co.; refer to 75-14.
75-10	Pepsico Inc. and Wilson Sporting Goods; refer to 75-14.
75-11	Lannom Manufacturing Co.; refer to 75-14.
75-12	Reynolds Metals Co.; refer to 75-14.
75-13	Aluminum Co. of America; refer to 75-14.

75-14 Eaton Co.; aluminum baseball bats and rubber grip components; complaints filed 11/5/75; cases resolved by consent order agreement 4/8/76.

74-4 Relco, Inc.; welders; complaint issued 7/17/74; Commission issued final order 10/27/76 finding that the product presented a substantial product hazard.

75-1 White Consolidated Industries, Inc.; frost-free refrigerators; complaint issued 3/10/75; Administrative Law Judge determined product contained a defect but that there was insufficient evidence upon which to base a determination of substantial product hazard.

74-1 In re McCulloch Corporation; chain saws; complaint issued 2/5/74; Commission accepted stipulation settling matter 5/9/74.

74-2 In re National Presto Industries, Inc.; fry pans; complaint issued 1/30/74; Commission accepted stipulation settling matter 5/9/74.

The Commission has also initiated, in Federal District Court, the following imminent hazard actions under Section 12 of the CPSA:

Consumer Product Safety Commission vs. The Anaconda Company, et al., Civil Action No. 77-1843 (D.D.C.); action filed October 26, 1977, against 26 manufacturers of old technology aluminum wire and devices alleging the products presented an imminent fire hazard. The court dismissed the case in January 1982 holding that the Commission had not established jurisdiction.

Consumer Product Safety Commission vs. Advance Machine Company, Inc., et al., Civil Action No. 77-1323 (D.D.C.); action filed July 24, 1977 against the manufacturers and distributors of an automatic pitching machine. The matter was resolved by consent agreement.

Consumer Product Safety Commission vs. Chance Manufacturing Co., et al., Civil Action No. 77-1581 (D.D.C.); action filed September 15, 1977 against the manufacturer and a class of all distributors and retailers of Zipper rides. After the district court ruled the Commission had jurisdiction, the case was resolved by consent agreement.

Consumer Product Safety Commission vs. A. K. Electric Corporation, et al., Civil Action No. 74-1206 (D.D.C.); action filed August 8, 1974 against the manufacturer and 37 distributors and/or retailers of the product; product was declared to be an imminent hazard by the district court.

EDUCATION AND INFORMATION PROGRAM

Question: This year you are requesting $2,436,000 for your Information and Education (I&E) program. Of all your programs, I&E

shows the smallest reduction from FY 1983 -- about 1% vs. 5% at CPSC overall.

Why is this program receiving such emphasis during FY 1984?

Answer: The figures for information and education over the years have included a number of functions in addition to the actual information and education programs. Included in this category are the Commission's Hotline, correspondence, and Office of the Secretary publications distribution personnel. These units serve the entire Commission. They perform important ongoing functions including complaint and injury data-gathering in addition to information and education work.

In FY 1984, the Commission has allocated 15.8 positions for the Office of Public Affairs and the Office of Outreach Coordination in headquarters to work on consumer information and education campaigns and liaison with industry, media and national organizations. This is fewer than half the number who worked in these programs in FY 1981. The reason that the reduction from FY 1983 to FY 1984 may appear to be relatively modest is that this program has already sustained major cuts since FY 1981.

The following table shows resources for the Information and Education Program since FY 1981.

Changes in I&E funds/positions, including Hotline, correspondence and OS publications distribution personnel since FY 1981

	FY 1981	FY 1982	FY 1983	FY 1984
Positions	47	31	33	32
Dollars ($000)	2,950	1,916	2,464	2,436

It is the Commission's view that the promotion of product safety through information to consumers is an important complement to our increased reliance on voluntary cooperation among government, industry and consumers. Consumers want and need product safety information. One of CPSC's FY 1984 priorities (Older Consumers) is almost totally an information and education effort; eight other priority projects also involve information and education programs. Our staff effort is directed to working cooperatively with other groups--media, industry, consumer, health, safety, education, and state and local governments -- who can help us get our safety messages and information to the largest possible audience.

Question: The I&E program also showed an increase of 28.6% in FY 1983 over the FY 1982 level.

What have we accomplished in FY 1983 with these I&E funds and what do you expect to accomplish?

Answer: FY 1982 was a year of reduced funding for information and education activities, and for the Commission as a whole. The Commission conducted a reduction-in-force which cost over

$1,000,000. Total resources were substantially reduced. Printing of information and education materials was cut to a minimum, and as a result existing inventories of materials were rapidly depleted. Little contract money was available.

Resources for FY 1983 include contract funds which have been applied to projects that are Commission priorities -- Smoke Detectors, Home Heating, Chain Saws, Pharmacy/Medical Awareness, and School Lab Chemicals. Additional printing funds were allotted to reprint materials which had been exhausted during the preceeding year.

In FY 1983 we expect to have accomplishments in the following areas:

Smoke Detectors -- This major "priority" project was launched with a public hearing on smoke detectors in Washington, D. C. We know that 123 state and local communities are conducting smoke detector programs (either information programs or smoke detector give-away programs), and 57 state and local communities are planning smoke detector programs. We know that 14 communities have mounted CPSC transit cards on buses at no expense to CPSC, and one community reprinted the CPSC transit card and mounted it on 190 buses. Several communities have requested the negatives for the CPSC smoke detector booklet, and the Department of State has agreed to reprint 100,000 copies. We expect to develop a smoke detector unit for elementary schools.

Heating Equipment -- In a program coinciding with Fire Prevention Month, CPSC launched a nationwide information effort to instruct consumers on the safe installation, use, and maintenance of gas, wood, and kerosene heating equipment. A fact sheet on wood stoves was reprinted and distributed, and a new fact sheet on kerosene heaters was printed.

Chain Saws -- Community demonstrations were held in all regions of the country to dramatize the hazard of kick-back and ways to avoid it. More than 100,000 copies of a chain saw booklet were printed. We expect to develop a national media campaign to promote the use of low-kick chains and other safety devices and techniques.

Pharmacy/Medical Awareness -- We developed and distributed to the Regional Offices a display of examples of child-resistant packaging for use in seminars with pharmacists. Through the Regional Offices, we have conducted approximately 10 seminars for pharmacists and have planned approximately 20 more. We expect to print and distribute a text on the Poison Prevention Packaging Act for use in colleges of pharmacy and medical schools.

School Lab Chemicals -- A public meeting was held with 30 groups representing industry, consumers, educators, and government, to discuss hazards of carcinogens in school labs and ways of reducing exposure. We expect to update and print the "Lab Safety Manual" already developed for use in training state science supervisors and teachers. We expect to persuade textbook publishers to eliminate the use of carcinogens in their experiments and to encourage safe storage and disposal of chemicals.

Particleboard/Paneling -- We expect to print and distribute a question-and-answer sheet on formaldehyde in particleboard.

Toy Safety -- In collaboration with the Toy Manufacturers of America, we printed and distributed packets of materials urging the safe selection of toys.

Poison Prevention -- In collaboration with the American Association of Poison Control Centers, we printed and distributed packets of materials urging the use of child-resistant closures.

Electrical -- We expect to print and distribute an electrical safety guide during National Electrical Safety Week. We expect to develop media materials on electrical safety for a national media effort.

Recalls -- We have produced graphics, photographs, and typeset copy of several recalled products and have distributed these visuals to Regional Offices, State Designees, and others for reprinting, thus obtaining wider "public notice" for recalls. We expect to provide similar visuals for many recalled products.

Question: For each of the program/product areas in which you expect to use information and education funds, please provide for the record the:

- number of people in the target population
- number you expect to reach with the information and education program
- number or percent that will have increased knowledge as a result of the information and education program and how this will be measured
- number or percent that will experience attitude and/or behavior changes as a result of the information and education program and how this will be measured.

Answer: The following table identifies planned FY 1984 activities and target populations.

FY 1984 Activities

Program	Target Population
1. Upholstered Furniture	All households
2. Chain Saws	19 million
3. Home Heating Appliances	All households
4. Poison Prevention	All parents of young children
5. Safety for Older Consumers	10 million
6. Smoke Detectors	All households

7. Electrical Safety	All households
8. Children's Safety	30 million households

The Commission's current funding is not sufficient to conduct formal evaluations with scientifically drawn samples and pre- and post- tests for planned information and education programs.

Without costly evaluation studies, the Commission cannot at this time and will not at a later time be able to provide the additional data requested. However based on evaluations of past information and education efforts, we believe the multiplier information and education approaches used by the Commission can reach a significant portion of the target population and can increase knowledge levels and improve safety behavior.

A recent study (not funded by CPSC) provides significant new evidence of CPSC's importance in the marketplace and its success in reaching consumers. *Consumerism in the Eighties* is a study conducted by the nationally respected polling organization of Louis Harris and Associates, Inc. under the sponsorship of the Atlantic Richfield Company. The Harris Poll is based on interviews of 1,252 randomly selected adults across the country by telephone during October 1982. According to the Harris Poll, the Consumer Product Safety Commission is the only government agency that received a clearly positive rating on protecting the consumer. Such a response was possible because of the Commission's success in providing consumers with safety information about hazardous products through a variety of information and education efforts and approaches.

CHILDREN'S AND RECREATIONAL PRODUCTS

Question: Your current request for the Children's and Recreational Products Program is below the level requested in September by the Commission at the $33,508,000 OMB mark.

How do you account for this $49,000 decrease in light of the fact that juvenile sports equipment was selected as an FY 1984 priority?

Answer: In order to meet the OMB directed $32,000,000 level for the January Budget Request to Congress, the Commission eliminated a $25,000 contract for a structural entrapment project and reduced operating funds for the program. Funding for the juvenile sports equipment priority project was not reduced between September and January.

Question: Please prepare a matrix for the record showing the generic types of injuries by possible remedial options.

Answer: The matrix which follows represents our estimate of the types of injuries most likely to be addressed effectively and the possible remedial options that appear to be most appropriate for each. However, once the injury studies have been completed, additional or different injuries or remedial options may be identified. The project will deal with children ages 5-14.

Senator Garn—Continued

MATRIX OF GENERIC TYPES OF JUVENILE SPORTS INJURIES AND POSSIBLE REMEDIAL OPTIONS

	RULE CHANGES		EQUIPMENT CHANGES	COACHING TECHNIQUE CHANGES	INFORMATION
	Playing Rules	Equipment Use Rules			
BASEBALL					
Head Impacts		X			
Chest Impacts			X		X
Eye, Face, and Dental Injuries		X			
SOCCER					
Head, Neck, and Face Injuries	X			X	
Field Structure Related Injuries					X
Knee and Ankle Injuries-Possible Permanent Disability from Injuries to Growth Plates		X		X	
FOOTBALL					
Head Impacts	X			X	X
Eye, Face, and Dental Injuries		X	X		
Leg Injuries - Cumulative Damage or Permanent Disability from Injuries to Growth Plates	X				

The following is a brief description of the injuries and the possible remedial options shown in the above table.

Injuries

I. Baseball

- A. Head Impacts - Fatalities; life-threatening and permanently disabling injuries
- B. Chest Impacts - Fatalities; life-threatening and permanently disabling injuries
- C. Eye, Face and Dental Injuries

II. Soccer

- A. Head, Neck and Face Injuries - Possibly related to impact with heads of the youngest (6 years) players
- B. Field Structure Hazards - Several deaths have resulted from collapse of soccer goals
- C. Knee and Ankle Injuries - Particularly with regard to possible permanent disability or abnormalities resulting from injuries

III. Football

- A. Head Impacts - Fatalities, life-threatening and permanently disabling injuries
- B. Eye, Face and Dental Injuries
- C. Leg Injuries - Particularly with regard to possible permanent disability or abnormalities from injuries

Remedial Strategies

I. Rule Changes

- A. Playing Rules - An example of this is the rule in football against blocking below the waist from behind. This change was implemented to reduce knee injuries.
- B. Equipment Use Rules - An example of this is the change made in youth hockey to reduce face and eye injuries, which requires that all players wear face guards.
- C. Weight, Age, Strength Rules - Many sports played by children are presently played in groupings classified by age or weight. This is done to prevent some children from being injured by playing against much larger and stronger children.

II. Equipment Changes - Modifications to existing equipment which is already required. An example of this is the addition of ear/temple protector pieces to batting helmets.

III. Coaching Techniques - For many years, football players were taught to use their helmets as a weapon when tackling. The association of football coaches disseminated information on the hazard of this practice, and it has almost disappeared completely.

IV. Information - In actuality, all of these approaches will start with and be based on providing information to the sports organizations. In some cases, this would be combined with recommendations for remedial strategies; in others, the effort would simply be one of informing parents and sports organizations of data we have gathered and any findings from analysis of those data. An example of this is the disclosure statements presently provided to football players and parents.

Question: What specific sports equipment are you looking at and what types of changes in the equipment might be investigated?

Answer: Specific existing sports equipment or new sports equipment to be investigated will depend largely on completing an analysis of injuries and deaths. During 1980, there were 1.8 million medically attended injuries to persons 5-14 years of age, related to participation in 15 selected sports activities. Nearly 600,000 of these persons were treated in hospital emergency rooms. Reports of 105 fatalities associated with the same group of sports were received by the Commission during an eight year period (1973-1980).

For its priority project in FY 1984, the Commission chose three sports activities which had the highest medically attended injuries (calendar year 1980): football (500,000), baseball (359,000), and soccer (107,000). Additionally, the top two sports, football and baseball, accounted for 60 of the 105 deaths for the period 1973-1980.

The death information reveals head/neck and chest as the body parts most frequently involved; therefore, the Commission will focus its attention on sports equipment designed to protect these body parts in football and baseball.

Question: What specific playing rules will be under review and what specific changes will be studied?

Answer: Specific playing rules to be reviewed will depend largely on the analysis of injuries and deaths. If, for example, the Commission determined that chest protection in baseball for a specified age range could lead to a reduction in deaths, then the Commission could seek cooperative efforts to change the appropriate rules to require such protection. Additionally, other equipment type changes may lead to possible rule revisions in other sports areas such as football and soccer.

CHAIN SAWS

Question: Once again, chain saws are listed as a priority project.

How long has CPSC been involved concerning work on chain saw kickback?

Answer: The Commission received a petition to begin proceedings to develop a mandatory product safety standard to address the kickback hazard of chain saws in mid-FY 1977. Major work on chain saw kickback began in FY 1978. The agency has been working on chain saw kickback for 6 years.

Question: How much has the Commission spent to date on the chain saw program?

Answer: Through FY 1982, the Commission spent almost $2,600,000 on chain saws. The agency has allocated about $1,100,000 in FY 1983 and $655,000 in FY 1984 to the chain saw project.

Question: When do you project that we will have adopted a standard for this project?

Answer: The adoption of a voluntary standard by the Commission is dependent, in part, on the time required for the American National Standards Institute (ANSI) to adopt amendments as part of its existing standard for chain saws. Presently, the Commission staff is participating with industry in the preceedings for the adoption of the kickback amendment.

The Commission staff, at this time, believes that if work continues at the same rate, a draft standard may be completed by the end of FY 1983. Final action is planned for FY 1984. If a mandatory standard is required, a proposed standard would be issued in FY 1983. A final standard would be issued in FY 1984.

Question: You intend to provide consumers with comparative information on chain saw safety.

When will this information be available and in what form?

Answer: In FY 1984, as part of the chain saw comparative safety project the Commission intends to re-examine the economic, legal and technical aspects of possibly conducting a comparative safety program.

The Commission has published a consumer information guide on "Chain Saw Safety" which includes information on safety devices currently available on chain saws. The Commission plans a more focused consumer safety program during the woodcutting season in both FY 1983 and FY 1984 concerning the improved safety of new technology saw chains that are available in the replacement market to retrofit existing chain saws.

Question: Has the Commission ever provided this type of comparative data before on other consumer products?

Answer: The Commission has provided basic safety materials to assist consumers in weighing the comparative safety of products in the past. Among the products covered have been power lawnmowers, ladders, cribs, and various electrical products.

SAFETY FOR OLDER CONSUMERS

Question: What goals have you established for your Older Consumers Program?

Answer: The overall goal for the Safety for Older Consumers project is to raise the awareness of older consumers to potential product hazards so that injuries and accidents such as falls, burns, scalds and chemical poisonings can be reduced.

We have set these specific objectives for the program:

- Determine the hazards most frequently presented to older consumers, and identify the limitations of older consumers that contribute to accidents.
- Assess existing information, identify the types of ongoing safety awareness programs, and determine what additional program information is needed.
- Develop messages to reduce or prevent accidents.
- Prepare information material (e.g., media, and print) to publicize safety messages.
- Work with networks serving the elderly to develop programs for delivering safety information at national and regional levels.

Question: How will you specifically measure the success of this program?

Answer: Past measures of information and education programs including a playground safety program, a crib information program, and a burn prevention program, have demonstrated that information and education efforts can change consumer practices, and can lead to a reduction of injuries and deaths. The Safety for Older Consumers project is based upon this premise.

As the first part of the project, injury data will be collected and analyzed to determine which products, if any, are most frequently involved in injuries to older consumers, and what behavorial patterns are commonly associated with these accidents. Using this information as a baseline, it may be possible to compare it with injury/accident data collected 3 to 5 years after the program has been completed. A reduction in injuries would indicate that the program had some positive impact.

We will also rely on data from our Regional Offices and from the many national organizations with which we will be working. Organizations such as the American Association of Retired Persons (AARP) have memberships of several million, and maintain close communications (through newsletters, publications, and local offices) with their many members. AARP has already agreed to work with us on our FY 1984 project, and will be a good source of feedback on the progress and success of the program.

In addition, we will develop pre- and post-tests or evaluation forms to accompany the audio-visuals or print materials that are prepared for use in this program. These evaluation tools will provide an indication of the usefulness of the information materials.

The Commission has not, however, allocated research funds to conduct a formal evaluation (e.g., using test and control sites) of the Safety for Older Consumers Program.

ELECTRICAL HAZARDS PROGRAM

Question: In September you requested 16 FTE and $941,000 for your Electrical Hazards Program at the Agency Request Level. At the lower level of funding to meet the OMB mark of $33,508,000, you requested 11 FTE and $766,000. Your current request contains 13 FTE and $580,000.

Why is your current request $186,000 or 24.3 percent lower than the OMB Level of funding?

Was there a trade off of dollars for a higher FTE level?

Answer: Yes, there was a tradeoff of dollars for positions.

The Commission's September Budget Request contained two levels: a level at $33,508,000 and 575 FTE's which met the OMB marks for FY 1984, and an Agency Request Level of $34,995,000 and 624 FTE's. OMB subsequently approved a Budget Request of $32,000,000 and 595 FTE's for FY 1984.

To develop a Budget Request at $32,000,000 and 595 FTE's, the Commission added 20 FTE's to the OMB Level of 575 FTE's. The Electrical Hazards Program gained 2 of these positions.

The Commission also had to reduce its $33,508,000 budget level by $1,508,000 to reach the $32,000,000 mark. In addition, to cover the salaries of the additional 20 FTE's, various planned contracts and operating expenses had to be adjusted. The Electrical Hazard Program lost $165,000 in contracts and also lost some operating funds in this process.

Question: You state that a hazard report on products involved in electrocutions is scheduled for completion in FY 1983. What is the current status of, and plans for, this activity?

Answer: The Commission plans to issue a contract for this work. The completion of the hazard report is dependent upon the availability of FY 1983 contract funds. If funds are available in FY 1983, the scheduled completion date for the report is approximately one year after contract award. The project work may lead to design and construction changes and improved voluntary standards.

The Commission may have to delay certain contracts in FY 1983 to cover increased pay costs. The electrocution hazard contract is one of the contracts which may be delayed. If postponed, work may be delayed until FY 1984 or later.

Question: In response to a lower funding level than requested, you have eliminated investigations into micro-circuitry and receptacles/panelboards. In September, you noted that these activities "have a significant potential for reducing fire and electrocution hazards" at a "relatively low cost".

What would be required to fund each of those programs?

Answer: To conduct the activities planned in FY 1984 for projects concerning micro-circuitry, receptacles and panelboards, the Commission would require an additional 3 positions and approximately $200,000.

PRODUCT SAFETY ASSESSMENTS

Question: In your September request, you indicated that the staff would be able to perform about 600 technical evaluations of new safety hazards.

How much did you request for this activity in September?

Answer: The September Budget requested $1,359,000 and 25 FTE's for the product safety assessment activity, which would have enabled the Commission to conduct 600 technical evaluations.

Question: In your January request, you estimate that 480 evaluations could be performed.

How much is contained in your January budget?

Answer: To conduct 480 technical evaluations, the January Budget requests $1,160,000 and 21 FTE's.

Question: In your January budget justification, you state "If sufficient resources were available to handle all requests, CPSC would be able to conduct more of a preventive, rather than reactive, product safety program".

What additional funding would you require to perform the 600 evaluations?

Answer: To perform the 600 evaluations, the Commission would need an additional $199,000 and 4 FTE's.

EMERGING HAZARDS

Question: You asked OMB for 40 FTE and $2,063,000 for the Emerging Hazards Program. The lower level of funding in your September Budget to meet the OMB mark of $33,508,000 requested 29 FTE and $1,719,000. Your January request contains 35 FTE and $1,585,000.

On what basis were you able to increase the FTE's over the OMB Level and at the same time decrease the funding level?

Answer: The Commission's September Budget Request was proposed at 2 levels: a level which met the OMB mark of $33,508,000 and 575 FTE's and an Agency Request Level of $34,995,000 and 595 FTE's. The OMB Level of resources for each program represented the resources which the Commission believed it could allocate to each program within the available constraints of $33,508,000 and 575 FTE's.

After the submission of the September Budget Request, OMB directed the Commission to submit a budget to Congress requesting $32,000,000 and 595 FTE's. The Commission added 20 FTE's to the 575 FTE level to reach 595 FTE's. The Emerging Hazards Program gained 6 of these positions.

The Commission had to reduce its $33,508,000 level by $1,508,000 to reach $32,000,000. Contracts and operating funds had to be reduced. In addition, CPSC had to cover the salaries of the additional 20 FTE's by making additional contract and operating fund adjustments. In this process, the dollars for the Emerging Hazards Program were reduced.

Question: What activities will not be undertaken at the proposed level of funding?

Answer: At the proposed level of funding, the agency's ability to provide technical evaluations of possible hazards to support the section 15 program will be reduced by 20 percent from the level planned in the September Budget. In addition, resources to support the New Project Identification project have been reduced by 50 percent. Response time will increase and work volume will decrease in both of these areas.

WEARING APPAREL

Question: On Page 17 of your September budget request, you mentioned modifying the mattress flammability standard.

Why is this statement not included in the January request?

Answer: The September Budget stated that amendments to the mattress flammability standard would be completed in FY 1983. The January Budget (page 17) states the amendments will be proposed in FY 1983. The amendments will not be finalized until FY 1984. The work schedule for this project has been extended because of the heavy workload of priority projects in this program.

BENZIDINE DYES

Question: Benzidine and two closely related chemicals are the starting materials in the synthesis of more than 400 dyes which can be used to color textiles. Twenty-three dyes derived from these materials have been tested and all have been shown to break down to cancer-causing materials in the body.

Your justification states that, "The Commission will complete its action on benzidine congener dyes in FY 1983. In FY 1983, the Commission also will examine the toxicity of other potentially hazardous dyes and consumer exposure to these dyes. The Commission will also complete testing of textile permanent press finishes containing formaldehyde and will consider whether further action is warranted."

What is the status of these activities?

When do you expect to take some Commission action on these products?

Answer: In October 1978, the Commission was petitioned by four artist groups to ban consumer dyes based on benzidine, 3,3'-dimethylbenzidine (o-tolidine), and 3,3'-dimethoxybenzidine (o-dianisidine), collectively termed benzidine congener dyes, and other products used to impart color which contain such dyes. The petitioners contended that exposure to these dyes substantially increases the risk of bladder cancer in humans.

In November 1980, the Commission voted to grant the petition and directed the staff to prepare a proposal to ban consumer dye products containing benzidine congener dyes, and other products used to impart color which contain these dyes. The staff recommended this action because of a general pattern of hazard common to each of the dye constitutions derived from benzidine, o-tolidine, and o-dianisidine. In preparation for a proposal to ban consumer dye products containing benzidine congener dyes, the staff developed data pertaining to the toxicity of and exposure (specifically inhalation and skin absorption) to benzidine congener dyes.

In March 1982, the staff presented to the Commission results of the National Toxicology Program's Benzidine Congener Dyes Initiative, a multi-Federal Agency toxicologic testing effort initiated by the CPSC staff.

- Research now shows that of 23 benzidine congener dyes tested, all have demonstrated that they break down to cancer-causing agents in animals.
- Data from CPSC experiments suggest that the degree of risk to consumer health from reasonable use of consumer dye products containing benzidine congener dyes is dependent upon the ability of the dyes to penetrate the skin.

In March 1983, based on negative results from benzidine congener dye dermal penetration experiments, the staff will recommend that the Commission reconsider the petition.

Throughout this fact-finding process, the Commission staff has met with and corresponded with members of the Dyes Environmental and Toxicology Organization (DETO), a dye industry trade association. The DETO concurred with the Commission staff that consumer dye products containing benzidine dyes should be banned, but disagreed with the CPSC position on o-tolidine dyes and o-dianisidine dyes, especially a subset of o-dianisidine dyes which contain copper complexes.

The Commission staff is continuing to examine the toxicity of and consumer exposure to other potentially hazardous dyes.

From experiments with textiles finished with dimethyloldihydroxy-ethyleneurea (DMDHEU), the major durable press formaldehyde resin in use, the staff concludes that free formaldehyde is released from textiles and continues to be released after 25 launderings, although in decreased amounts. Ironing, perspiration, sunlight, and storage cause a decrease in levels of free formaldehyde remaining in the fabric released. Also, preliminary data obtained from animal tests using textiles treated with DMDHEU, prepared from radiolabeled formaldehyde, indicate that radioactivity penetrates rabbit skin. The identity of the radioactive compound, however; does not appear to be formaldehyde.

The staff notes that formaldehyde resin-treated textiles may elicit dermal sensitization and is pursuing such an evaluation.

Throughout the course of this investigation, the staff has invited the technical review of industry, and academic and public interest organizations. The staff met with the American Textile Manufacturers Institute, Inc. several times.

Question: In your priority setting process for FY 1984, was benzidine dyes considered as a potential priority?

Answer: Benzidine dyes was not considered as a priority project in FY 1984 because it is scheduled for completion in FY 1983.

SMOLDERING IGNITION

Question: In describing your smoldering ignition project, you cite upholstered furniture and mattress and bedding fires.

How much of the resources devoted to this priority area will be devoted to each of these two smoldering sources?

Answer: The Commission has allocated $435,000 and 7 FTE's for the smoldering ignition project. Resources planned for upholstered furniture are $375,000 and 6 FTE's; resources for the mattress and bedding fire project are $60,000 and 1 FTE.

AUTHORIZATION

Question: The Commission's authorization expires in FY 1983.

What changes, if any, are being proposed by the Administration?

Answer: To our knowledge, the Administration has not proposed any changes to CPSC statutes.

PAY SUPPLEMENTAL

Question: You are requesting an FY 83 pay supplemental of $581,000. Were you required to absorb any of the pay costs?

Answer: The total increased pay costs to cover the October, 1982 pay raise of 4 percent, the lifting of the pay cap and the agency's cost of medicare insurance are estimated to be $1,162,000. OMB approved a pay supplemental of half the amount (i.e., $581,000).

Thus, the agency is absorbing one half of the increase pay costs. To cover this portion of the increased pay costs, CPSC will reduce operating funds and contracts for non-priority projects.

FY 1981 LEVELS

Question: In your September request, you included a reference to your FY 81 funding and FTE level in order to highlight the significant reductions taken by the Commission in appropriations (-24%) and personnel (-33%).

Why was this reference deleted?

Answer: In its September Budget Request, the Commission included a reference to FY 1981 funding and FTE levels to highlight reductions in resources since FY 1981. In its January Budget, the Commission deleted the FY 1981 reference and chose to highlight the reduction from its September request of $34,995,000 and 624 FTE's to the current OMB directed request of $32,000,000 and 595 FTE's.

UPHOLSTERED FURNITURE

Question: In 1980, an estimated 1,150 fatalities occurred as a result of 24,600 upholstered furniture fires started by cigarettes. In FY 1982, the Commission voted to defer consideration of mandatory flammability requirements for upholstered furniture and, instead, encourage the industry to improve their ongoing voluntary program and assist the industry in developing furniture which is more resistant to cigarette ignition. Several promising technological approaches have been identified and are under evaluation. Your justification states that some of these approaches are expected to be incorporated in retail furniture by the end of FY 1983.

What specific approaches appear to be the most promising at this point?

Answer: The most promising technological approaches for improving the cigarette ignition resistance of upholstered furniture are the use of heat conducting welt cords in seat cushions and the use of thermoplastic interior fabrics in seat cushions. Laboratory evaluation of these materials has been completed by the furniture industry and they are being incorporated into their voluntary program for the production of furniture more resistant to cigarette ignition.

A more recent promising approach, under evaluation by CPSC, is the use of a metalized flange around the edge of cushions without welts. The industry is being urged to follow up on this latter technique.

FIRE AND THERMAL BURN PROGRAM

Question: In September you requested $1,605,000 for your Fire and Thermal Burn Program at the higher Agency Request Level. At the lower OMB Level, you requested $1,521,000 in September. You are now requesting $1,292,000.

Why did you decide to reduce the program level and what will not be accomplished at this lower level?

Answer: The September Budget Request contained 2 levels of resources: a level of resources to meet the OMB mark of $33,508,000 and 575 FTE's and an Agency Request Level of $34,995,000 and 624 FTE's. Program resources at the lower level were selected by the Commission in order to submit a budget level at the overall OMB mark.

Following submission of the September Budget, OMB directed the Commission to submit a Congressional Budget for $32,000,000 and 595 FTE's. The levels are $1,508,000 less and 20 FTE's more than the September OMB mark. To achieve these resource levels, the Commission added 20 FTE's to the OMB level of projects. Salary funds to cover the 20 FTE's were included and then contracts and operating funds were reduced to meet the $32,000,000 constraint.

The Fire and Thermal Burn Program gained 1 of the 20 FTE's and lost $229,000 in funds. At the present level of requested funding, the Commission will have to eliminate planned contracts for (1) wood heating equipment, (2) fire toxicity, (3) open flame work involving upholstered furniture and (4) fire growth. Staff resources will be used for these projects. However, work will not proceed as quickly and the technical scope of some activities will be reduced.

Comparing the September Agency Request Level for FTE's in this program to the present request, the Commission has reduced resources to study toxicity of combustion products and to analyze injury data associated with apparel fires. Again, work will continue but at a slower pace. A project designed to modify existing standards to reduce industry burden will be postponed.

Question: In your September justification, you stated that 70% of fire deaths are residential. Your January justification attributes 80% of all fire deaths to residential fires.

How do you account for this discrepancy?

Answer: Eighty percent is the correct value based upon the most recent national fire loss estimates for 1981 derived by the National Fire Protection Association (NFPA) and the U. S. Fire Administration. The earlier projection of 70 percent was based on a "rounded off" estimate of 74 percent made by the NFPA for 1979.

REDUCTIONS IN EMERGING HAZARDS PROGRAM

Question: On Page 13 of your September budget submission, you list four consequences resulting from the level of funding requested to meet the OMB mark of $33,508,000.

Please indicate how much it would cost to restore each of these programs?

Answer: To restore all of these activities would require approximately $300,000 and 5 FTE's.

Question: If you had an additional $100,000, how would you apply it to these programs -- what are your priorities?

Answer: With an additional $100,000, the Commission would increase resources available for the product safety assessment project. This activity provides technical backup to the section 15 product recall program, and is considered the most important activity in the program.

PROCESSING OF PETITIONS

Question: The Commission receives petitions requesting rulemaking to address safety problems with various consumer products as well as to amend existing regulations. Section 10 of the Consumer Product Safety Act, which was repealed, had required the Commission to address petitions within 120 calendar days. The Commission now processes petitions under the Administrative Procedure Act, which does not contain a specific time requirement for the processing of petitions.

What was the average processing time during FY 1982 and what backlog did you carry over into FY 1983?

Answer: With the repeal of Section 10 of the Consumer Product Safety Act, the Commission continues to address petitions in as expeditious and timely a manner as possible. There were four petitions which were received and completed in FY 1982. These petitions averaged approximately 4 months from receipt to final disposition.

The Commission received 23 requests for exemption in FY 1982 related to space heaters and these requests are being treated by the Commission as a single matter. Two petitions were carried over from FY 1982 to FY 1983 and were more than 120 days old. An additional 18 requests related to the space heater issue were carried over into FY 1983 and may be acted upon as a group once the Commission disposes of the first 23 requests.

Question: What are your processing and backlog goals for FY 1983 and FY 1984?

Answer: In FY 1983, the Commission has allocated resources to address approximately 10 petitions. So far in FY 1983 the Commission has received two new petitions. We do not anticipate any backlog for this fiscal year, since we anticipate the Commission will deal with the 18 space heater requests as a group.

The Fiscal Year 1984 Budget Request includes resources to evaluate about 10 petitions. We do not anticipate any backlog of petitions for FY 1984.

RESOURCES FOR FIELD ACTIVITIES

Question: In your September submission to OMB, you requested 158 FTE and $6,138,000 for your field activities. Your January request asks for 151 FTE and $6,217,000.

Why has the requested funding gone up by $79,000 when the FTE decreased by seven from your September budget?

Answer: In September, the Commission requested 158 FTE's for the field within our overall request for 624 FTE's. At the direction of OMB, the current request is for 595 FTE's. To meet this lower constraint the Commission reduced the level of resources for the field by 7 FTE's.

The increase of $79,000 is the result of increased pay costs (i.e., October, 1982 pay raise, lifting of the pay cap, and medicare costs).

EFFECTS OF RIFS ON WOMEN AND MINORITIES

Question: Please provide, for the record, a table showing the percent of women and minorities at CPSC during FY 1982 and the expected percent at the end of FY 1984.

Answer: The following table shows the number and percent of women and minorities employed by CPSC in full-time permanent positions as of September 30, 1982.

Grade	Total Employees	Women #	Women %	Minorities #	Minorities %
1	-	-	-	-	-
2	-	-	-	-	-
3	-	-	-	-	-
4	11	9	81.8	5	45.4
5	43	36	83.7	18	41.8
6	42	38	90.4	20	47.6
7	23	21	91.3	10	43.4
8	11	9	81.8	4	36.3
9	40	30	75	15	37.5

10	2	2	100	-	-
11	92	40	43.4	22	23.9
12	99	31	31.3	18	18.1
13	95	24	25.2	10	10.5
14	60	9	15	8	13.3
15	54	12	22.2	8	14.8
SES	9	1	11.1	-	-
TOTALS	589	264	44.8	142	24.1

Historically, the percentage of women in the CPSC work force has ranged between 41 to 45% while the minority percentage has ranged between 19 to 24%. It is reasonable to assume that CPSC percentages for minorities and women will generally remain within these ranges for FY 1984.

CANCER POLICY STUDY

Question: As you know, the Office of Science and Technology Policy (OSTP) is taking the lead in reviewing the state-of-the-art in cancer research in an effort to define a national cancer policy. CPSC is a member of the OSTP working group.

Who has been assigned to represent the Commission?

Answer: Dr. Peter Preuss, the Associate Executive Director for Health Sciences has been assigned to represent CPSC on the OSTP working group on cancer policy.

Question: Have you made any recommendations that have not been accepted by OSTP?

Answer: Dr. Preuss has been a very active participant in the proceedings of the working group. During the course of the discussions, debates, and reviews, Dr. Preuss, speaking for himself as a scientist, has made numerous suggestions and recommendations. As with other forums of this type, some of his suggestions were accepted, some rejected, and some modified. In general, it is still too early in the process to determine whether any major, substantive or procedural recommendations that he has made will be ultimately accepted or rejected by the group.

The Commission has not yet reviewed any of the draft documents prepared by the OSTP working group, and consequently the Commission has made no formal suggestions or recommendations.

APPAREL

Question: In your January request, you note that the Commission continues to receive reports of burn injuries relating to apparel. However, your September request states that at the lower level of funding to meet the OMB mark of $33,508,000, the Commission would "not be able to review and analyze injury data associated with apparel fires".

Yet, your January budget states that a "review of this area will be undertaken to determine what actions should, if any, be undertaken".

How can you undertake this review without reviewing or analyzing the data?

Answer: In September, the Commission submitted a two level budget: one level met the OMB mark of 575 FTE's and a second level requested 624 FTE's. The current Budget Request asks for 595 FTE's.

Two positions for the wearing apparel project were included in the 624 FTE level of the September Budget. If the Commission had been held at 575 FTE's this project would have been eliminated. With 595 FTE's, the Commission will be able to devote 1 FTE to the project. Thus, work on the project will be slowed down but not eliminated.

CHEMICAL HAZARDS

Question: On Page 26 of your justification, you imply that CPSC will prepare instructional material on dispensing practices related to child-resistant closure.

Why can't the State Boards of Pharmacy or AMA be encouraged to prepare and distribute these materials?

Answer: We plan to work with the American Medical Association as well as the associations of pharmacists, schools of pharmacy, and state boards to plan, prepare, and disseminate material on child-resistant packaging. We have found that medical schools are hesitant about incorporating material into the medical syllabus because the curriculum is already overcrowded.

The associations representing pharmacy schools were willing to cooperate with the Commission on this project and have been very helpful in soliciting the active participation of pharmacy schools across the nation. The expertise necessary to develop these materials, however, is available within the Commission. Distribution of materials will be by mail, directly to the schools. Following pilot testing and development of final materials, we will be working with State Boards of Pharmacy in sponsoring continuing education programs on poison prevention packaging.

Question: How much does CPSC intend to devote to this effort in FY 1983 and FY 1984?

Answer: The pharmacy/medical community awareness project in FY 1983 will cost $228,000. In FY 1984, approximately $100,000 is allocated for this effort. The project includes a number of activities including the preparation of instructional materials for pharmacy and medical school students. The cost of preparing the materials in FY 1983 is estimated to be $23,000. No FY 1984 costs for materials are anticipated.

TOXIC COMBUSTION PRODUCTS

Question: On Page 17 of your budget justification, you indicate that you will be purchasing the equipment necessary to conduct toxic combustion products tests.

What is the cost of procuring this equipment?

Answer: Approximately $57,000 is allocated for the purchase of equipment to conduct tests concerning the toxicity of combustion products.

Question: Have you performed a cost/benefit analysis of buying versus contracting out this testing? If so, submit this for the record.

Answer: A CPSC contract review group and the Health Sciences staff considered the cost/benefit issue before any commitment of funds was made. During these staff discussions, it was determined that contract testing would cost about $10,000 per test. Costs of in-house testing taking into account equipment costs are estimated to be less than $4,000 per test.

GAS HEATING SYSTEMS

Question: Gas-fired heating systems account for the majority of non-fire related carbon monoxide poisoning deaths. You are currently exploring the use of a thermal detector.

What is the status of this program?

Answer: The Commission is working cooperatively with the American National Standards Institute Z-21 subcommittee to establish a voluntary standard requiring a shut-off device (i.e., thermal detector) for vented gas-fired space heaters. This product is the largest single contributor to these carbon monoxide poisonings. The subcommittee is expediting such a requirement, and we expect the voluntary standard to be developed by the end of the year.

Question: Is the Commission exploring the development of CO detectors?

Answer: Not at this time. A few years ago, the Commission sponsored an analysis, conducted by the National Bureau of Standards, which concluded that a feasible low-cost detector was not yet available. We have not been able to update this analysis because of budgetary constraints. However, we are encouraging the private sector to develop a low cost CO detector.

Question: Please prepare a statistical summary of heater-associated fires since 1979 by the type of heater.

Answer: The table follows.

	1979	1980	1981
Residential Fires	721,500	757,500	733,000
Heating Equipment Fires	170,200	210,400	214,100
Solid Fuel	70,700	112,000	130,100
Gas-Fired	30,100	27,000	23,100
Electric	16,300	15,400	14,700
Liquid Fueled	10,900	9,400	8,800
Other/Unknown	42,200	46,600	37,400

ASBESTOS IN CONSUMER PRODUCTS

Question: What activities are you planning to undertake in FY 1984 relative to asbestos in consumer products?

What consumer products will you focus on?

Answer: The Commission's Chronic Hazard Advisory Panel (CHAP) on the use of asbestos in consumer products held its first meeting in January 1983. This seven member panel will provide scientific advice to the Commission concerning the potential chronic hazard of cancer associated with the use of asbestos in consumer products. The report of this panel, expected in May 1983, must be considered by the Commission and incorporated into any advance notice of proposed rulemaking (ANPR) on consumer products containing asbestos.

The staff has identified several consumer products (e.g., asbestos paper and millboard, bulk asbestos fibers dry mix furnace cement, wood and coal burning stove door gaskets, certain laboratory and artists materials and stove pads and iron rests) which may present a risk of consumer exposure to asbestos.

The staff believes that the results of investigations of possible exposure and risk from these products could lead them to recommend that the Commission begin one or more regulatory proceedings.

The Commission has not decided whether to begin any rulemaking. That decision will be made after receipt and due consideration of the report of the CHAP, and of information on exposure and risk now being developed. The staff will be providing recommendations for Commission action in August, 1983. If the Commission were to decide to issue an ANPR in August, the public comment period, any subsequent proposed rule and comment period, and the remainder of the rulemaking process would take much of FY 1984. However, during FY 1984 the Commission's major work on asbestos will be focused on in-place asbestos in the home.

During FY 1982 the Commission developed and published the Asbestos in the Home booklet to provide consumers with practical advice on how to deal with in-place asbestos in their homes. This consumer information booklet has been well received by the public and by industry. The magnitude of the problem may be reflected by recent news stories from California which raised concern that a significant percentage of California residences have friable in-place asbestos associated with the home heating systems. The Commission staff is working with groups such as the American Society of Home Inspectors, and with industry, to obtain information on the presence and the condition of asbestos-containing materials in American homes.

SCHOOL LAB CHEMICALS

Question: Please describe your school lab chemical program.

Answer: CPSC has discovered that many high school science laboratories have chemicals which may present chronic health hazards. Based on a literature review, CPSC concluded that there is sufficient evidence to cateorize 10 chemicals, which may be found in school laboratories, as carcinogenic to laboratory animals. In order to warn science teachers and students of these potential chronic hazards and to help reduce exposure to these chemicals, CPSC has proposed a contract with the Council of State Science Supervisors to develop and disseminate a supplement to their existing Laboratory Safety Manual (published by the National Institute for Occupational Safety and Health in 1982). The supplement to the lab safety manual would describe the potentially hazardous chemicals, recommend substitutes, suggest ways of reducing exposure, and provide advise about safe storage and disposal.

In addition, through the Council of State Science Supervisors' existing review procedures for high school science texts, textbook publishers will be urged to eliminate the use of potential carcinogens and other chronic hazards in their experiments. CPSC expects to have the supplement to the lab safety manual in the hands of science supervisors and teachers in all 50 states during the 1983-1984 school year. A meeting of government, industry, consumer, and education groups concerned with safety in school laboratories already has been held to discuss this project, and a second meeting is planned to enlist the voluntary assistance of these groups in disseminating the information.

Question: How was the issue of school lab chemicals brought to the attention of the Commission?

Answer: Concerned about the availability of the carcinogen, benzene, in secondary school laboratories, the Commission undertook the School Laboratory Chemicals project. CPSC has surveyed selected high school science labs and found carcinogens (such as benzene, carbon tetrachloride, and benzidine) on the shelves.

Question: How much do you intend to spend in this area in FY 1983 and FY 1984?

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Answer: In FY 1983, the Commission plans to spend $163,000 for the school lab chemical project. No funds are planned for FY 1984.

HAZARD IDENTIFICATION AND ANALYSIS

Question: Your current request for your Hazard Identification and Analysis Program is $330,000 less than the amount recommended by the Commission in September at the $33,508,000 spending level.

Why was this reduction necessary?

Answer: The reduction from the funds contained in the lower level of the September Budget Request to the current request for the Hazard Identification and Analysis Program was necessary to meet the $32,000,000 OMB directed Budget Request.

Question: What activities will not be performed as a result of this reduction?

Answer: Contract funds for economic analysis and for certain death certificate data will be reduced substantially. Operating funds will also be reduced. The Commission will have to rely on in-house staff for needed economic work. Fewer death certificates will be purchased to support hazard analysis work.

Question: Please prepare a table for the record listing the collection, input, verification, analysis, report writing and other costs associated with the NEISS system for FY 82, FY 83, and FY 84.

Answer: The table follows.

Activity	FY 1982	FY 1983	FY 1984
	$(000)	$(000)	$(000)
Collection - Contracts 1/	610	650	700
Input - Hospital Terminals & Telephone Line Costs	68	140 2/	70
ADP Costs	207	200	150 3/
Operation & Verification - Staff Costs	264	198	198
Other Costs - Indirect Staff Costs (Overhead included)	303	303	303
Analysis & Report Writing 4/	--	--	--
	1,452	1,491	1,421

1/ This figure is the total contract cost for the 73 hospitals in the system. Cost sharing funds are received from other federal agencies for the collection and use of National Electronic Injury Surveillance System (NEISS) data. This amounted to $392K in FY 1982; $380K in FY 1983; and is estimated at $390K in FY 1984.

2/ Includes one time costs for purchase of terminals for the hospitals to replace outdated paper tape teletype terminals.

3/ Reduction reflects the use of new terminals and redesigned software support for the system.

4/ Analysis and report writing are not properly considered as a cost chargeable only to the operation of the NEISS. Virtually every analysis and report on hazards reviewed by the agency embodies not only NEISS data but data from the Death Certificate Program, the Medical Examiner and Coroners Alert Program, consumer complaints, Hotline calls and press clippings.

NEISS data are used to verify claims of petitioners, search for emerging hazards, and help assess the impact of Commission actions. NEISS, therefore, serves to support these necessary CPSC activities but the activities are not a cost which is ascribable to NEISS alone.

HOUSEHOLD STRUCTURAL PRODUCTS

Question: This year, you are requesting 8 FTE and $649,000 for your Household Structural Products Program. This represents a decrease of 7 FTE and $230,000 from the FY 83 level.

How will you be able to absorb such a large decrease?

Answer: In FY 1984, the Commission will provide resources for the particleboard and paneling priority project and for work on certain voluntary standards.

The program was reduced to meet the OMB directed $32,000,000 funding level for the January Budget Request to Congress. Planned projects on renewable energy sources and architectural safety guides had to be eliminated in the process.

Question: What use do you intend to make of the National Institute of Building Sciences in your Household Structures Products?

Answer: The staff will continue to keep informed of the National Institute of Building Sciences' (NIBS) activities through receipt of their mailings and attendance at selected meetings. Depending on the extent of available funding, we plan cooperative efforts regarding dissemination of technical information on safety in architecture and construction. Additionally, we plan to keep abreast of activities in the following areas: (1) Building Energy, (2) Toxicity in Building Fires, and (3) Indoor Air Quality. The staff's main use of NIBS will be to obtain a better undertanding of building-related activities and issues.

FREEDOM OF INFORMATION

Question: You note that the Commission is studying ways to more efficiently process Freedom of Information (FOI) requests.

What was the average processing time for FOI requests in FY 1982?

Answer: The Commission maintains its FOIA records on a calendar year basis. Therefore, all information is based on calendar year 1982 and not FY 1982.

The Commission responded to approximately 8,000 Freedom of Information Act (FOIA) requests in calendar 1982. Only an estimated 2,000 of these FOIA requests were answered within the statutory limit of ten days. These requests were for: (1) information that did not identify a manufacturer or private labeler, (2) information to which an exception to section 6(b) of the Consumer Product Safety Act applied, or (3) information that had been previously requested under the FOIA and therefore had been cleared for release due to previous FOIA requests. For the remaining 6,000 requests some of which involve section 6(b) and most of which do not, it took from one to six months before a search for responsive documents began or before the request was assigned to a FOIA specialist for processing. This delay is caused for the most part by a lack of personnel to process FOIA requests and by the fact that processing documents under section 6(b) requires 10-15 times more staff effort than processing documents that do not involve section 6(b). The extensive time it takes to process section 6(b) matters causes a delay in processing all FOIA requests including those that do not involved section 6(b).

There are two offices in the Commission that respond directly to FOIA requests, the Freedom of Information Office (FOI Office) and the National Injury Information Clearinghouse (Clearinghouse). The Office of the General Counsel provides legal advice and guidance to both of these offices.

If the FOIA request was handled by the Commission's Clearinghouse and did not involve section 6(b) of the Consumer Product Safety Act, the average processing time was five weeks from receipt of the request. If the request was handled by the Clearinghouse and involved section 6(b) of the CPSA, the average processing time was 20 weeks from receipt of the request.

If the request was handled by the Commission's FOI Office and did not involve section 6(b) of the CPSA, the average processing time was six to ten weeks from receipt of the request. If the request was handled by the FOI Office and involved section 6(b) of the CPSA, the average processing time was 30 to 40 weeks from receipt of the request. (Please note that this average time factor does not factor in 450 FOIA requests that have been pending since 1980 and 1981. Section 6(b) complications have hindered our processing of these requests.) It takes the FOIA office longer than the Clearinghouse to process FOIA requests because the FOI office handles all difficult or complex matters. The Clearinghouse for the most part handles only routine matters.

About 7,600 of the 8,000 FOIA requests completed in calendar year 1982 sought information that did not identify a manufacturer or private labeler of a consumer product or information that fell within one of the exceptions to section 6(b). Therefore, section 6(b) of the CPSA did not apply to that information. Once the documents were identified as responsive to an FOIA request and were collected, it took an average of 2.3 staff-hours to process a non-section 6(b) FOIA request (7,310 staff-hours to process 3,100 FOIA requests). The Clearinghouse processed the remaining 4,500 requests for non-product specific information in a similarly short time, once the documents were identified and collected.

For the approximately 400 FOIA requests that involved section 6(b) and that were completed in calendar year 1982, it took an average of 31.7 staff hours to process the request once the responsive documents had been identified and collected (12,680 staff hours to process 400 FOIA requests).

The processing time for both documents involving section 6(b) and those not involving section 6(b) reflects only time spent by the FOI office and the Office of the General Counsel.

Question: What was your FY 1982 FOIA backlog?

Answer: On January 1, 1983, the backlog in the processing of FOIA requests was 3,036 requests (2,534 pending in the FOI Office and 502 pending in the Clearinghouse).

During calendar 1982, the Commission completed 7,939 FOIA requests and received 9,787 FOIA requests. In addition, at the beginning of calendar 1982, the Commission had a backlog of approximately 900 FOIA requests from previous years. (We processed 450 of these FOIA requests during 1982 so that, as of January 1, 1983, there were 450 requests pending that were made in 1980 and 1981).

The backlog was created by a number of factors. They are:

1. Of the approximately 3,000 backlogged FOIA requests, 1,200 seek information concerning urea formaldehyde foam insulation test methods and devices. These requests come from realtors and others interested in the Commission's ban of UFFI. These requests are now being answered by a mass mailing of information.

Thus, the current backlog (February, 1983) is approximately 1,800 FOIA requests.

2. Approximately 25% of all FOIA requests involve processing of requested materials pursuant to section 6(b) of the Consumer Product Safety Act. At least 800 of the 3,000 backlogged requests involve section 6(b). Section 6(b) processing is extremely time-consuming and draining on the resources devoted to processing all FOIA requests. A request involving section 6(b) typically

requires 10 to 15 times more staff time to process than a request for information not involving section 6(b).

Section 6(b) requires that, prior to release of materials that identify manufacturers or private labelers of consumer products, the Commission must notify those identified firms of the intended disclosure. We must then review and process any comments regarding the accurancy of the information or objections to disclosure received from the firms. In addition, we must take reasonable steps to assure that the information to be disclosed is accurate, that the release is fair in the circumstances, and that the release is reasonably related to effectuating the purposes of the statutes the Commission administers.

As of January 1, 1983, the Commission had pending 450 FOIA requests that were made in 1980 and 1981; each of these involves information that identifies a manufacturer or private labeler so that section 6(b) of the CPSA applies to the information. It is the necessity of complying with section 6(b) that has delayed the responses to these requests for so long.

3. While the number of FOIA requests received has remained constant (approximately 10,000 requests per year), the number of staff in the FOI Office and the Clearinghouse that process the requests has been reduced as a result of overall agency reductions. Additional delays in the processing of requests are caused because the other Commission offices and directorates that must search files and provide documents responsive to requests have also suffered staff reductions.

Question: What are your goals for FY 1983 and FY 1984?

Answer: The Commission hopes to reduce the backlog of pending FOIA requests during FY 1983 and FY 1984. To accomplish this goal, the Commission has asked Congress to amend section 6(b) of the CPSA to eliminate or to reduce substantially the burden section 6(b) places on Commission processing of FOIA requests. If the statute is amended, the time now devoted to section 6(b) processing and review of information will be used to reduce the backlog. (In this respect, one should note that before the Supreme Court determined that section 6(b) of the CPSA applies to FOIA requests, the Commission answered approximately 85 percent of its FOIA requests within ten working days and the remainder within 30 working days.)

If the CPSA is not amended, the Commission will continue to process FOIA requests in accordance with section 6(b) of the CPSA where it applies and in accordance with the FOIA and its exemptions.

To this end, on November 5, 1982, the Commission published for public comment a proposed interpretive regulation that sets out the Commission's policy and procedure under section 6(b) of the CPSA. See 47 Fed. Reg. 50283-92. The 90 day comment period ended on February 4, 1983, and the Commission is now analyzing the comments received from the public (the 90 day comment period included a 30 day extension requested by several national trade associations). The Commission plans to issue an interpretive regulation during

1983. We anticipate that the section 6(b) interpretive regulation will reduce the time necessary to process FOIA requests to which section 6(b) of the CPSA applies. The regulation should encourage firms to provide specific objections to the release of information. With specific objections, the Commission can assess the information and make faster and better informed decisions about whether to disclose, to withhold, or to change the requested documents. In addition, firms know what to expect, and the staff knows the procedures to follow. In our experience, this reduces processing time. If the time devoted to section 6(b) processing is reduced, more time becomes available to process other non-section 6(b) FOIA requests.

Unfortunately, absent a statutory amendment, increased funding, or both, the Commission can do little else to reduce the FOIA backlog. Given present staffing levels and funding, Commission personnel assigned to FOIA matters (primarily personnel in the FOI Office, the Office of the General Counsel, and the Clearinghouse) are working at capacity. In addition, current staff levels in the offices and directorates that must locate responsive documents do not permit more rapid response. Often, the staff responsible for identifying and collecting documents responsive to FOIA requests are the same staff responsible for the substantive work of the Commission. If the Commission provides faster FOIA responses, the Commission's projects suffer and the public is not served.

SMOKE DETECTOR BALTIMORE EXPERIMENT

Question: What is the status of the Baltimore smoke detector experiment?

Answer: The Baltimore, Maryland Smoke Detector Program was a project (not an experiment or a study) that was conceived, planned, conducted, and funded by the Mayor and citizens of Baltimore City. The tragic death of seventeen of Baltimore's citizens in residential fires in a two week period in January 1982 was the motivating factor that caused the Mayor to direct his staff to plan and conduct a city wide Smoke Detector Program.

CPSC was not involved in that program's original planning, implementation, or funding. Upon request, CPSC provided a limited supply of print materials for Baltimore's use.

In October 1982, CPSC launched a nationwide Smoke Detector Program. Because of the success Baltimore had with its project, CPSC, with the permission of city officials, is sharing aspects of this project with other local government entities as a model for guidance and consideration.

A few of the highlights of this program to date include the following:

- 123 state and local communities are currently conducting smoke detector programs, i.e., either information programs and/or smoke detector give-away programs or selling detectors at cost.

- 57 state and local communities are in the process of planning smoke detector programs (information and education and/or smoke detector give-aways or selling detectors at cost).
- 430 state and local communities conducted programs between 10/1/82 and 1/83 and/or are conducting follow-up activities to programs conducted prior to 10/1/82.
- 14 communities have mounted the CPSC transit card on buses at no expense to CPSC.
- One community has reproduced at their expense 190 transit cards and had them mounted on buses.
- The Wood Heating Alliance (WHA) has agreed to give free exhibit space at their international trade show in March 1983 to any distributor or manufacturer who donates 100 smoke detectors to the CPSC project.
- The Department of State has agreed to print 100,000 copies of our booklet What You Should Know About Smoke Detectors and will be distributing them to their overseas installations.
- Requests for negatives of our smoke detector booklets for reprinting by other organizations is steadily increasing.

We will continue to work with national organizations, major insurance companies, education systems, industries and businesses, and state and local government entities to solicit their support and involvement in the program.

The first year's program will conclude in September 1983 and a year end report will be prepared in October 1983. We expect to launch the FY 1984 program in October 1983 to coincide with Fire Prevention Month and the Home Heating Appliance Information Program.

Question: Do you intend this to be a prototype for future instructional and education programs?

Answer: We plan to recommend that aspects of the Baltimore City Project be used as a prototype by other cities and jurisdictions for future smoke detector programs.

Question: How much will this study cost?

Answer: In FY 1983, $850,000 is targeted for the smoke detector program. In FY 1984, the Commission has allocated $186,000 for the smoke detector program.

COOPERATION WITH THE NATIONAL BUREAU OF STANDARDS

Question: What specific recommendations has the Commission made to the National Bureau of Standards (NBS) relative to their long-range research program?

Answer: The primary area of long-term research where NBS and the Commission frequently share a common interest involves fire research. The Commission has made specific requests to NBS for support concerning the development of test methods and protocols to improve consumer product safety in the following areas:

- Smoldering Cigarette Resistant Upholstered Furniture
- Plastics Flammability
- Toxicity of Combustion Products
- Heating Equipment Fires
- Residential Electrical Fires

LABORATORY EQUIPMENT

Question: Please provide a list of the laboratory equipment you intend to purchase in FY 84 and their associated costs.

Answer: Planned laboratory equipment expenditures in FY 1984 are:

	$(000)
Small meters, instruments and hand tools	18
Hardware (e.g., electrical components, thermal sensors, racks and mechanical devices)	5
Liquid chromatograph	20
Spectrophotometer or spectrometer	15
Facilities and equipment maintenance	22
Equipment rental	5
Instrument calibration and gases	4
TOTAL	89

Question: How does request for laboratory equipment purchases in FY 1984 compare to the FY 1982 and FY 1983 level?

Answer: Costs of purchase, repair and maintenance of laboratory equipment in FY 1982 totaled $75,000. In FY 1983, the Commission plans to spend $235,000 on laboratory equipment.

In FY 1982, equipment purchases were minimized because of the need to absorb a substantial reduction in funds and provide funds to cover the costs of a reduction-in-force. In FY 1983, additional funds are available. One major equipment acquisition cost

$67,000--an obsolete mass spectrometer system had to be replaced. In addition, purchase of equipment to conduct fire toxicity tests will cost about $57,000.

MERIT PAY INCREASES

Question: How much money have you included in your FY 83 budget request in order to provide employees with merit pay as specified in the Civil Service Reform Act?

Answer: In FY 1983, $270,000 is allocated to the merit pay fund. In FY 1984, $100,000 has been allocated to cover the non-cost of living portion of the merit pay fund.

CELLULOSE INSULATION FLAMMABILITY

Question: Could you please bring us up-to-date on your efforts concerning the Cellulose Insulation Flammability Standard?

Answer: The Emergency Interim Consumer Product Safety Standard Act of 1978 became law on July 7, 1978. It amended the Consumer Product Safety Act to require the Commission to issue an Interim Safety Standard for Cellulose Insulation (pulverized paper treated with fire retardant chemicals). The interim standard, based on the General Services Administration (GSA) Specification HH-I-515-C, became effective on September 8, 1978. A certification rule, a labeling rule concerning installation, and an amendment to the interim standard based on GSA Specification HH-I-515-D, all became effective on October 6, 1979.

Between September 8, 1978, and May, 1981, Commission enforcement efforts included industry seminars, public meetings, industry-wide mailings, over 1,000 establishment inspections and over 1,000 samples collected and tested. While many manufacturers were in violation of the standard at some time during this surveillance, most violations were voluntarily corrected.

The Commission discontinued active surveillance in May, 1981 because of budgetary considerations and the need to work on other higher priority projects. Since then Commission enforcement has consisted of follow-up investigations of complaints of violations of the standard (less than twenty inspections) and responding to industry inquiries regarding compliance with the standard.

In addition, the Commission has cooperated with the Michigan Attorney General's Office in their enforcement efforts by testing cellulose insulation on two different occasions from four different manufacturers, and with the Colorado Attorney General's Office by testing two samples from one manufacturer.

The Commission staff has met several times with representatives of the cellulose insulation industry to review and discuss their establishment of a voluntary industry compliance program involving a "self certification" program. This program, called the Cellulose Insulation Standards Enforcement Program (CISEP) will allow manufacturers that satisfy all testing and inspection requirements of the program to produce cellulose insulation bearing a

CISEP product certification seal or mark. The cellulose insulation will begin bearing this CISEP seal in April, 1983. Sixteen manufacturers (twenty plants) have joined the program as of February 25, 1983.

HOMES HAVING UF FOAM INSULATION

Question: In approximately how many houses in the U.S. has UF foam insulation been installed?

Answer: The Commission estimates that 500,000 residences in the U.S. have been insulated with urea formaldehyde foam insulation (UFFI). The vast majority of these installations occurred during the period from the middle-to-late 1970's, with 1977 being the peak year in which an estimated 170,000 residential installations were performed. By 1981, the estimated number of residential installations declined to 8,000 to 10,000.

Question: What would be the average cost for the removal of the UF foam from a home?

Answer: The Commission has limited information on the costs of removing UF foam insulation. At the time the Commission voted to finalize the rule banning UF foam (February 22, 1982), reported removal costs ranged from less than $5,000 to $20,000, with an average of perhaps $6,000.

Question: What would you estimate the decrease in resale value to be for those homes now having UF foam insulation?

Answer: To the extent that prospective home buyers believe that homes insulated with UFFI may cause their families to have health problems, prices of those residences may be lower than in similar homes without UFFI. Some of the perception of increased risk is associated with the Commission's decision to ban future installations of the product; in this respect, the action may be said to have had an indirect effect on resale prices of homes. However, the effect of the ban on resale prices is virtually impossible to separate from effects from other factors that determine resale prices, and from similar effects that would have resulted from public awareness of health hazards associated with UFFI if the Commission had not adopted a ban.

The Commission expects the indirect effects of the ban to diminish with the passage of time. This view is based on an assumption that adverse publicity will subside, and that much of this publicity has not presented a reasonable picture of the true risks associated with most residences insulated with UFFI. Also, tests have shown that formaldehyde levels decline sharply in the years after installation, approaching levels found in comparable non-UFFI homes; public awareness of this fact should also result in diminished effects on resale values.

Prospective buyers' perceptions of risks from UFFI will also be affected by information provided by homeowners or real estate agents. The National Association of Realtors (NAR) recommended to all of its members that they require the seller to disclose to a prospective buyer whether the home contains UFFI. The wording of the disclosure is important in determining how buyers perceive the risks associated with UFFI.

For the immediate future, some homeowners may find it necessary to take some remedial measures to allay concerns of prospective buyers. Such measures may range from applying vapor barrier paint and other sealing techniques, to removal of UF foam and replacement with alternative materials. These actions may not be necessary in the great percentage of homes, especially those sold in later years. Also, prospective purchasers may be persuaded that the levels of formaldeyde in homes are not significant as a result of laboratory tests. Thus, the magnitude or prevalence of remedial actions, or reductions in resale prices cannot be estimated with certainty.

Question: Is there any precedent for the Federal government to assume the responsibility to make restitution to these homeowners?

Answer: The Commission is not aware of any prior federal action to provide restitution to homeowners based on similar facts.

COST SHARING OF INFORMATION CAMPAIGNS

Question: Last year, you indicated that the Commission intends to encourage groups to share the cost of information campaigns to the public.

Since then, what groups have shared these costs and has the Commission established cost sharing guidelines?

Answer: Cost-sharing by outside groups has been in two forms:

1. Contribution by outside groups of printed materials to joint efforts with CPSC.
2. The reprinting of CPSC-produced materials for wider public distribution.

Examples of joint efforts include:

- Holiday Safety: As part of a joint holiday safety campaign the Toy Manufacturers of America (TMA) provided 6,000 folders and brochures on toy safety for distribution to members of Congress, the media and organizations around the country. TMA also participated with CPSC in a campaign kickoff ceremony, and contributed toys for children participating in the event.

- Fireworks Safety: As part of CPSC's annual fireworks safety effort prior to the July 4 Independence Day celebrations, CPSC worked jointly with the American Pyrotechnics Association (APA) a fireworks industry trade group, to produce a media materials kit. CPSC staff checked the materials for accuracy and the Chairman provided a letter for inclusion in the kit. The APA paid 100% of the cost; over 1,000 kits were distributed to major television and radio stations, newspapers, and many other organizations.

- Poison Prevention: For many years CPSC has participated in the activities of the 29-member Poison Prevention Week Council. Various member groups provide kit folders and brochures for inclusion in the poison prevention packets. Closure manufacturers producted and paid for a public service radio spot.

Examples of reprinting of CPSC materials and/or information include:

- Smoke Detectors. The International Association of Fire Chiefs has reprinted the CPSC publication "What You Should Know About Smoke Detectors" for national distribution, and contributed 12,000 of these brochures to CPSC to use in its programs. The Charlotte, NC Fire Department has reprinted 60,000 "Wake Up Smoke Detectors." The State Department is reprinting 100,000 smoke detector booklets for use abroad.

- Toy Safety. Several retailers reprinted CPSC safety messages on grocery bags for distribution to the public. The Fred Meyer Corporation of Pacific Northwest has distributed 1,200,000 "safety bags." Cupples Paper Bag Company of Oregon has distributed 300,000 bags.

- Home Heating. Many organizations have copied our fact sheets and brochures for use in various programs. Like all CPSC materials, these items are in the public domain and may be reprinted by any group or business.

- Chain Saws. The Tappan Company, Mansfield, Ohio reprinted 500,000 chain saw booklets to include with all their products sold.

- Poison Prevention Packaging. The Johnson City, TN, Medical Center Hospital reprinted poison prevention materials for prenatal classes.

- Playground Safety. The Board of Recreation and Parks of Caroline County, Dinton, MD, reprinted a publication on playground safety. In addition, the Head Start/State Preschool, Carson, CA, reprinted playground safety materials.

- Asbestos. Tarkett, Inc., Parsippany, NJ, reprinted a booklet on asbestos in the home.

Guidelines

In the forms of cost-sharing described above, the major requirement has been for CPSC clearance and approval of materials developed by outside groups. As a matter of course, CPSC program, legal and public affairs staff subject material from outside groups to a CPSC clearance procedure before CPSC agrees to have its name associated with the material.

COST AND BENEFITS OF REGULATIONS

Question: Two years ago, you announced that CPSC was the first Federal regulatory agency to prepare rules containing the methodology for assessing the costs and benefits of proposed regulations.

What action have you taken since that time to implement this methodology?

Answer: The methodology outlined in our Federal Register Notice of December 30, 1980, which described how the Commission arrives at findings under section 9(c) of the Consumer Product Safety Act, is in effect and is used regularly in the development of Commission rules.

Question: To what extent can this methodology be used to "TARGET" areas in which CPSC might be able to make a significant contribution to consumer safety -- that is, help you select priorities for the upcoming year and thus better target your resources?

Answer: The principal use of the methodology is to analyze the prospective effects of a rule and its alternatives. However, parts of the methodology can also be helpful early in the regulatory process in determining priorities or changes in priority ranking. For example, risk assessments can indicate the relative importance of pursuing one hazard compared to others, and early projections of large costs or benefits, if enough facts are on hand to make them, would also be indicators for priority setting.

Initially, risk estimates are prepared for projects in order to establish priorities both in the short and long term. For acute hazards, such as ingestions of drugs and household products by children, information such as the size of the market, number of ingestions, severity of the symptoms, and the number of hospitalizations are aggregated. For chronic hazards, such as the risk of cancer, information about the size of the market, the strength of the laboratory and epidemiological data on carcinogenicity, the estimated duration, and frequency of exposure are aggregated.

Question: Could you please provide for the record a specific example of how CPSC has applied this cost benefit methodology to a particular consumer product during FY 1983?

Answer: In FY 1983 the Commission has applied the methodology to the toy chest project. Last spring the Commission published an advance notice of proposed rulemaking and has subsequently directed the staff to prepare a mandatory rule addressing hazards presented by toy chests. The mandatory rule for toys chests is to be proposed under the Federal Hazardous Substances Act, but, as the Federal Register notice on the proposed methodology explains, the Commission not only uses it for action taken under the Consumer

Product Safety Act but also extends its application to the other Acts it administers. The Preliminary Economic Assessment of the rule for toy chests prepared in January 1983 follows.

TOY CHESTS: PRELIMINARY ECONOMIC ASSESSMENT OF PROPOSED RULE

Background

The purpose of this report is to provide a preliminary economic assessment to the Commission on the possible effects of a mandatory rule for toy chests. On April 14, 1982, the Commission published an advance notice of proposed rulemaking (ANPR) to address the potential risk of a toy chest lid falling on a child's head or neck while the child is leaning into the chest. Such incidents have resulted in death and injuries of varying severities. The rule would apply to containers with hinged lids which are marketed for storing children's toys. The proposed rule does not apply to toy chests with lids which are completely removable, or containers such as footlockers intended for other uses, but used to store children's toys.

A provision of the rule specifies that lid support devices on chests sold already assembled must be nonadjustable by the consumer. Another provision requires that the lid should not fall of its own weight more than 1/4 of an inch when placed in any position in its arc of travel from fully open to fully closed, except in the last 1/2 inch measured at the front lip. A third provision requires that the lid support device should withstand 7,000 fatigue cycles tested at eight second intervals. The lid should comply with the "fall" requirement both before and after the test.

Market Characteristics

Toy chest manufacturers are a noncohesive industry group. Some manufacturers are members of the Juvenile Products Manufacturers Association and others are members of the Toy Manufacturers of America. Many of the identified manufacturers do not belong to either of these associations. Most of the firms produce, in addition to toy chests, many other children's and juvenile products such as cribs, table and chair sets, doll furniture, car seats, laundry hampers, and a variety of molded plastic products. The Commission has identified about 30 manufacturers of toy chests. A few firms account for a large percentage of total production. It is not unusual that three or four toy chest manufacturers account for as much as 70 or 80 percent of the total annual production. Other firms enter and leave the toy chest business from time to time as market conditions seem to dictate. Toy chests require little capital investment, are simple to make, and can readily be added to or dropped from product lines. Many of the smaller manufacturers produce around 1,000 or fewer units a year.

The market for toy chests tends to be fairly stable over time since the product is not affected by large shifts in consumer demand or style changes. Advertising by manufacturers is limited mostly to trade magazines and journals and is presented in combination with other products marketed by the firm. Retail sales tend to be spread over the whole year with a significant portion occuring in the pre-Christmas season.

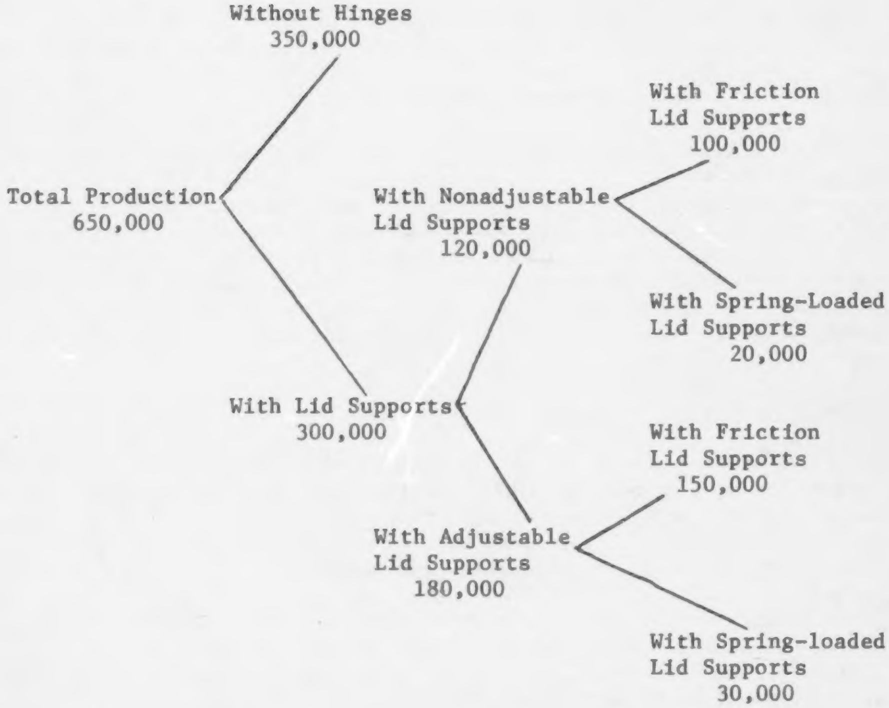
The distribution system for toy chests, as it is for other juvenile products, is relatively complex because of the many sources of supply and the potentially thousands of retail outlets which may be involved. Some manufacturers distribute their product through wholesalers or other disbributors, who in turn supply retailers. Retail outlets range from small local toy stores and juvenile furniture stores to large discount toy chains, mass merchandisers, variety stores, department stores, and hardware stores.

Production Levels and Retail Expenditures

Toy chest production was estimated at 650,000 units in 1982, reflecting an increase of 50,000 units over the 600,000 plus units estimated for 1979. The production of toy chests declined in 1980 and 1981 but seems to have recovered in 1982. During the current year, a number of firms have experienced declines while others have increased their production. The retail value of current production, though difficult to estimate, is probably in the neighborhood of $22 million. Based on a customary 100 percent markup for such products, the value of the manufacturers' shipments of toy chests is around $11 million.

Manufacturers of toy chests normally produce more than one model and try to retain their share of the market primarily through decorative differences, though size, shape, and material used also are important factors. Toy chests have similar design characteristics. They are rectangular boxes with a volume ranging from about 7,000 to 14,000 cubic inches. They are usually constructed from hardwood, particleboard, pressed-wood, or plastic. Most toy chests are shipped in knocked down condition with a lid support device enclosed in the packaging. Most toy chest retail prices range from about $18 to $85 and appear to have remained stable during the last two to three years.

Economic Analysis estimates that of the total production of 650,000 toy chests, 300,000, or a little less than 50 percent, have hinged lids. Almost all toy chests with hinged lids have lid support devices, but some models have been observed without them. Of the chests with hinged lids about 180,000 units use adjustable lid support devices, and the other 120,000 units use nonadjustable lid supports. About 150,000 of the 180,000 chests with adjustable lid supports have the friction type and about 100,000 units of the nonadjustable lid supports have the friction type. The remaining 30,000 units with adjustable and 20,000 units with nonadjustable lid supports use spring-loaded lid support devices. These data are shown in the chart below:


Without Hinges
350,000
With Friction
Lid Supports
100,000
Total Production
650,000
With Nonadjustable
Lid Supports
120,000
With Spring-Loaded
Lid Supports
20,000
With Lid Supports
300,000
With Friction
Lid Supports
150,000
With Adjustable
Lid Supports
180,000
With Spring-loaded
Lid Supports
30,000

The lid support devices are manufactured by firms producing hinges and other hardware supplies and are mostly utilized in applications other than toy chests, such as cabinets, stereo consoles, and other containers. These devices are available from several firms that have been supplying toy chest manufacturers.

Impact of Proposed Regulation

Cost Effects

The cost of friction lid support devices ranges from about $.25 to $.60 per unit, with a weighted average cost of $.37 per unit. The cost of spring-loaded lid support devices currently used ranges from about $.60 to $1.50 per unit, with a weighted average cost of $1.05 per unit. To comply with the proposed rule many, if not most, of the toy chest manufacturers may switch from adjustable to nonadjustable supports which are slightly less expensive, and from spring-loaded to friction lid support devices which are also less expensive, thereby reducing somewhat the cost of producing toy chests.* Manufacturers probably use the adjustable devices because they can be adapted to lids of varying weights and they may feel that consumers want to adjust the friction to suit their performance tastes.

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* Other types of lid support devices that can be used on toy chests may possibly be under development. The Commission is aware of a "ratchet" type device that is considered as a possible candidate lid support to achieve compliance, and others may come to light in the comment period. It is too early to estimate the feasibility of this type of device, since the device is not currently being used on toy chests, and no toy chest manufacturers have mentioned the "ratchet" device as one which they plan to use.

One extreme possibility is that all toy chest manufacturers will switch to nonadjustable friction lid support devices. In this case the average cost per lid support should be around the weighted average cost of $.37 per unit. Based on the various devices currently being used by different manufacturers, Economics estimates that toy chest manufacturers would realize aggregate savings of around $34,000, or $.11 to $.12 per unit, on the average. The actual amount of cost reduction will, of course, vary from manufacturer to manufacturer depending on the level of current production, cost per unit, and the effect of switching from adjustable to nonadjustable and from spring-loaded to friction lid support devices.

Another extreme possibility is that all toy chest manufacturers will switch to an upgraded version of a nonadjustable spring-loaded device (not now used in toy chests) which costs $1.55 per unit. In this case, toy chest manufacturers would incur additional costs estimated at around $320,000, about $1.07 per unit on the average. Again, since the cost of available lid support devices varies from $.25 to $1.55 per unit, the cost of switching to the new device will vary from manufacturer to manufacturer. It should be noted that for some manufacturers, the increase in cost may be as little as $.05 per unit over the current cost.

The two limiting possibilities suggest that the cost effects of the proposed rule could range from cost savings of $34,000 to costs of $320,000. The actual cost effects are likely to be in the $80,000 to $200,000 range, based on currently used devices and volume of production. This range of costs would represent the situation of all but very few manufacturers. On this basis, and assuming the usual 100 percent markup for such products, the corresponding aggregate costs to consumers would be somewhere between $160,000 and $400,000.

The test procedures specified by the proposal are expected to be relatively easy to conduct and inexpensive. The test requiring cycling of a toy chest lid at 8 second time intervals over 7,000 cycles can be conducted with equipment costing around $500. Some firms may do their own testing and others may depend on their lid support suppliers for certification. No significant costs are associated with testing.

Effect on Retail Price

Toy chest manufacturers have indicated that they intend to pass on to consumers any additional costs they may incur in complying with the proposed rule. These costs to consumers have been estimated to be somewhere between $160,000 and $400,000 or about $.53 to $1.33 per unit for chests with hinged lids. These increases represent about .6 to 7 percent of retail prices.

The figures indicate that the additional costs to consumers would be relatively small. They are not expected to affect purchases of toy chests adversely.

Effect on Product Utility

Toy chests will continue to be produced in many different models allowing consumers to choose from a large variety of styles and a broad range of prices. Eliminating the strangulation hazard which is the subject of the proposed rule will enhance their utility. The rule will also eliminate other injuries from falling lids.

There may be some disutility associated with the use of complying lid support devices if the friction devices cause children to have difficulty in raising the lids.

Effect on Small Business

Small manufacturers of toy chests have been able to compete successfully for a long time. The proposed rule is likely to cause a relatively small cost increase ranging from $.27 to $.67 per unit on toy chests with lid support devices. The increase is likely to be passed on to distributors and ultimately to consumers and will not be a disproportionate burden on small firms.

The testing procedure outlined in the proposed rule will add very slightly to the costs of toy chest manufacturers. The cost of purchasing the appropriate testing equipment is relatively low when considered in terms of the life expectancy of the equipment and the overall cost of toy chest production of the firm. It is estimated that the testing process may cost the smaller producers about $1,000 in the first year of the rule. Most of the larger producers have been conducting their own testing and will probably not have to purchase additional testing equipment. The cost differential for compliance with the regulation is not likely to affect significantly the competition between larger and smaller manufacturers.

Effect on Foreign Trade

Economic Analysis is not aware of any domestically produced toy chests being sold abroad. Imported toy chests currently account for around 20 percent of the domestic market, about the same as in 1979. The rule is not expected to affect foreign trade in these products.

Potential Costs and Benefits

The potential aggregate costs to manufacturers of $80,000 to $200,000 are estimated to add from $.27 to a maximum of $.67 per unit, on the average, to the cost of all toy chests with lid support devices. The corresponding cost to consumers, i.e., the relative increase in the retail price of toy chests is estimated to range from around $.53 to $1.33 per unit.

The potential benefits resulting from compliance with the proposed rule are related to the prospective number of deaths and injuries that would be elimінted or reduced. Commission records indicate that during the last nine years toy chests have been involved in 21 strangulation deaths, or an average of over 2 per year. A small number of injuries of varying severity have occurred each year, but no reliable estimate is available. However, on rare occasions, incidents have led to brain damage, parapalegia, and blindness. Avoiding such injuries can result in multi-million dollar benefits as measured by numerous large financial settlements awarded to victims and their families for lifetime disabilities of these types. The proposed rule will eliminate entirely all strangulation deaths associated with newly produced complying toy chests and virtually all of the injuries from falling lids. Once all chests comply with the rule, two deaths a year will be prevented on the average at a cost to the public somewhere between $80,000 and $200,000 per life saved. These costs per life saved are well within conservative estimates of the value of life in various studies.

Another way of assessing the merits of the proposal is to weigh the annual cost to consumers against the risk associated with the product. If we assume that there are about 3 million toy chests with hinged lids being used by consumers and two deaths per year, then there is a 1 in 1.5 million chance of a toy chest being associated with a fatality each year. If the expected price increases are in the middle of the estimated range, then they will average about $.90 per unit. Assuming a product life of ten years yields a cost of $.09 per year to avoid a fatality. Under these assumptions, the rule provides low cost insurance to the consuming public.

Alternative Approaches

Voluntary Standard

An alternative approach to the CPSC proposed rule for toy chests is the voluntary standard that is currently being developed by ASTM under the auspices of the Toy Manufacturers of America (TMA). This standard, with only minor exceptions, is almost identical to the CPSC proposed rule for toy chests. Both address the same hazards and provide approximately the same level of safety to the public. As a result, adoption of the ASTM voluntary standard, if fully complied with, will have approximately the same economic impact in terms of costs and benefits to manufacturers and the public as that outlined above for the CPSC proposed rule.

Two factors that should be taken into account in considering possible adoption of the ASTM voluntary standard for toy chests are the expected date of promulgation of the standard and the expected degree of compliance of toy chest manufacturers with the voluntary standard. The ASTM standard is expected to undergo further changes in language to clarify some of its provisions and elicit the necessary support from toy manufacturers. These, together with meeting the technical and procedural requirements for standards development at ASTM indicate that the earliest expected date of publication of the standard will be around the last quarter of

1983. The earliest expected date of promulgation of a mandatory rule by CPSC is the spring of 1983.

TMA has contacted all toy chest manufacturers it, ASTM, and CPSC could identify to draw their attention to the requirements of the voluntary standard and elicit their comments and support. TMA maintains it has received widespread support for the voluntary standard and that substantial compliance with its provisions will be forthcoming as soon as minor questions of language and interpretation have been clarified. A small sample of toy chest manufacturers contacted by Economic Analysis confirmed that they support the voluntary standard and intend to comply with it.

TMA assertions notwithstanding, CPSC staff is concerned that compliance with the voluntary standard by domestic manufacturers and importers of toy chests may not prove to be adequate. One reason is the incohesiveness of the industry and the fact that very few firms (only six identified in October, 1982) are members of TMA. Another reason is that each year new firms replacing firms that leave the toy chest business may decide not to comply with the voluntary standard. Most importantly, however, the Commission has not as yet received sufficient documentation to indicate that substantial compliance can be expected. If the number and relative size of the manufacturers who responded to TMA's and ASTM's inquiries about the standard is any indication of expected compliance, the extent of compliance might be only about 50 percent of all toy chests produced. If this should be the case, both costs and benefits would be likely to be smaller than with a mandatory standard.

Ban

Considered as an alternative to the proposed rule was a ban of toy chests with hinged lids, currently estimated at about 300,000 annual production. Such a ban would probably lead to the sale of toy chests with removable lids or sliding doors, or toy chests with no lids. Manufacturers' reactions to a ban are uncertain. For most firms the impact is likely to be slight, since toy chests are a small part of their product offerings. On the other hand, for a few firms, toy chests make up over a quarter of total sales. Also, a ban would eliminate from consideration the type of toy chest that about half of the buyers of these products choose. Such a ban may also result in less safety if consumers use other products such as footlockers, deacon benches, and other products with lids in which to store toys.

Due to the uncertainty of manufacturers' response to a ban on toy chests with hinged lids, it is very difficult to estimate the costs likely to be incurred. Firms may react by removing hinges and putting handles on tops, redesigning to add sliding doors, or stopping production of toy chests altogether. Similarly, the benefits estimation is elusive, depending on consumer reaction. Banning chests with hinged lids would certainly eliminate strangulation from newly manufactured articles, but if consumers use close substitutes such as footlockers and deacon benches, incidents may increase and there may be no net benefits.

Consumer Information Program

Another alternative approach to address the strangulation hazard presented by toy chests is through a consumer information program. The Commission has initiated a number of activities to warn consumers of the potential hazard involved, make suggestions for selecting a new toy chest, and give recommendations on how to make old toy chests and other items used as toy chests safer.

The costs and benefits of an information and education program are likely to be small, but will be quite helpful in alerting consumers of the potential strangulation hazard associated with toy chests. The program is particularly useful in cautioning consumers who may currently be using other items such as cedar chests or footlockers as toy chests, but there appears to be general agreement that such a program should be supplemented by a rule addressing new production; the need for a supplemental program led to the development efforts toward a voluntary standard.

Effective Date

Lid support devices of the type that will allow toy chest manufacturers to comply with the requirements of the proposal have been available for some time and may be obtained without delay. In fact, several toy chest manufacturers began incorporating these devices in their new product lines during the last couple of years. Other toy manufacturers said they intended to do the same upon promulgation of the ASTM voluntary standard. Based on this information, it appears that a long lead time for the promulgation of the proposed regulation will not be necessary. However, some time should be allowed those toy chest manufacturers who may need to purchase the required testing equipment and effect minor mold modifications and retooling. The testing and other equipment is also available and may be obtained immediately. No finished goods inventory problems are expected as a result of the rule. Toy chests are produced and sold throughout the year, although more are sold during the Christmas season. However, uncertainty about relative impacts increases the closer the effective date is to the date of promulgation. With a 90 day effective date as proposed, it is possible that some firms may be at some disadvantage, particularly if they have to purchase and use testing equipment for the first time or make arrangements with otuside laboratories for product testing. Factors affecting relative impacts include inventories of lid support devices on hand, lags in ordering and receiving new shipments of lid support devices, possible changes required in printed material such as assembly instructions, and implementation of changes at the manufacturing or assembly level. We do not know how important firms size is when these factors are considered in connection with the proposed effective date. However, considering the small percent of sales of toy chests relative to other products for most firms, such firms should be able to adjust to an early effective date without much difficulty. The comment period will afford firms an opportunity to provide information on the extent to which the proposed effective date may result in extra costs or inconvenience.

Senator Garn—Continued

Supplement to Preliminary Economic Assessment of a Rule for Toy Chests, February, 1983

The January 1983 Preliminary Economic Assessment of a rule for toy chests was based on the assumption that all toy chests manufacturered after the effective date would be considered banned hazardous substances unless they met the performance requirements mandated by the rule. The Commission could vote to propose that the ban on toy chests that do not meet the performance requirements be extended to all toy chests in the distribution chain on the effective date. If so, all toy chests manufactured after the effective date, and all toy chests in manufacturer or distributor inventories on the effective date, would be considered banned hazardous substances.

Any expansion of the scope of the rule to include unsold toy chests is not expected to change significantly any of the anticipated impacts of the rule. Several factors lead us to this conclusion. Information available to the Commission suggests that inventories of toy chests in the hands of retailers are turned over in about ninety days and that manufacturer stocks on hand are usually relatively small.

Data from industry sources indicate that currently many manufacturers that belong to either TMA or JPMA are already using lid support devices that probably meet the draft voluntary standard and the proposed rule. These firms account for about eighty percent of shipments. Other firms not belonging to these two trade associations also use lid support devices that are likely to qualify the toy chests for compliance with the proposed rule.

The publicity surrounding the proposal and sending the proposal to manufacturers and major retailers may result in an acceleration of the rate of compliance. Retailers are likely to order toy chests that are in compliance with the proposed rule. Manufacturers that have not already begun to produce complying chests will be influenced by these orders to produce complying toy chests prior to the effective date.

By the time the rule becomes effective, which will certainly be at least 120 days after the proposal (30 days for comment and 90 days between promulgation and effective date), almost all retail inventories on hand at proposal should be sold. Assuming that only complying units are shipped soon after proposal, there will be a virtual elimination of non-complying toy chests from the market by time the rule becomes effective.

Although it cannot be ruled out that there is a possibility that some non-complying toy chests will still be unsold by the effective date, the impacts on firms holding such inventories are likely to be small. To the extent that there are any impacts at all, upon whom the impact falls (retailer or manufacturer) will depend on circumstances such as whether repurchase of goods is an existing practice and whether chests can be retrofitted by the retailer or have to be sent back to the manufacturer. Transaction costs that could include shipping units back to the manufacturer, opening packages, retrofitting with new lid support devices, changing assembly instructions, and repacking and shipping might, in some instances, amount to more than the cost of the chests. If that is the case, disposal may be the efficient means of meeting the rule. Even if this extreme is required in some instances, the impact is likely to be insignificant since toy chests are a very small part of total sales of most retailers.

Under all sets of circumstances likely to arise, no substantial impact is expected to be associated with the expanded scope of the proposal. Furthermore, as required by the Regulatory Flexibility Act, consideration given to the concerns of small entities lead to the conclusion that the expanded scope of the proposal will not result in any significant economic impact on a substantial number of small businesses.

IMPROVING RECALL EFFECTIVENESS

Question: How important do you consider your recall program?

Answer: The Commission considers its recall program as one of the most important segments of its consumer protection activities. Under the Consumer Product Safety Act (CPSA), the Commission has worked successfully with business to remove hazardous products from homes and the marketplace. Section 15 of the Act requires manufacturers, distributors, and retailers to report to the Commission when they have reason to believe that their products may contain defects which create substantial risk of injury to the public. The Commission also learns through its enforcement efforts of products which do not comply with existing labeling, performance, or safety regulations. After careful analysis to determine whether remedial action is needed, the Commission staff attempts to negotiate a voluntary response to correct the problem and remove the product from the market as soon as possible.

To determine the scope of any recall program, recalls are classified according to the severity and likelihood of injuries which may result from use of the product. As a result the Commission can give greater emphasis to the recall of the most hazardous products. Additionally, the Commission is working with firms to develop more effective ways to notify consumers of the recall of hazardous products. This has resulted in the increasing use of marketing, advertising and communications techniques to reach owners of products subject to recall. Examples of recalls utilizing these techniques are indoor gym climbers, gas control valves, drip coffeemakers, and baby back carriers.

Question: How much did you devote to this area in FY 1982 and how much do you intend to spend in FY 1983 and FY 1984?

Answer: Resource estimates for recall activities were derived by including the entire cost of the Section 15 project (the end result of Section 15 activities are product corrections or recalls if so indicated by the investigation even though many investigations do not result in a product recall) and by including a percentage of each of the remaining enforcement projects in which recalls may be an end product. The estimated resources for recalls in FY 1982 were $3,600,000. FY 1983 and FY 1984 estimates are $3,700,000 and $4,300,000 respectively.

Question: How many recalls will be conducted in each of these years?

Answer: The Commission estimates that in FY 1983 and FY 1984 there will be over 100 Section 15 recalls per year. We further estimate that there will be approximately 90 recalls of noncomplying products in FY 1983 and an equal number in FY 1984. In FY 1982, a total of 160 recalls were initiated.

OTHER SERVICES

Question: In September, you requested $5,994,000 for "Other Services". Your current request contains a request for $4,050,000.

What activities have been reduced or eliminated?

Answer: Contracts were reduced or eliminated between the September and January Budget Requests to meet the OMB directed spending level of $32,000,000. The following table shows contract reductions made in projects to meet the $32,000,000 spending level.

Project	Contract Reduction ($000)
Product Safety Assessment	85
New Project Identification	10
Wood Heating Equipment	120
Fire Toxicity	10
Open Flame - Upholstered Furniture	50
Fire Growth	20
Electrical Fire Investigations	75
Trend Analysis (Electrical)	40
Cooking Appliances	25
Circuit Breakers	25
Poison Prevention/Labeling	70
Indoor Air Quality	185
Dyes and Finishes	80
Structural Entrapment	25
Power Equipment	19
Death Certificates	50
Economic Studies	200
Laboratroy Equipment	25
Smoke Detectors	125
Distribution of Information and Education Materials	50
Enforcement Sample Analysis	50
TOTAL	1,339

Each of the contracts which were reduced or eliminated are considered important and necessary by the Commission. Cuts had to be made to meet the OMB directed mark of $32,000,000. If additional funds were made available, the Commission would consider these contracts as well as operating funds, which were reduced, for restoration. In certain cases, entire contracts might be restored. In other instances, the Commission might restore certain contracts only partially. The list of contract reductions would have to be rank ordered by Commission vote and would have to take into account how much additional funds were available and various programmatic issues. A rank ordered list is not available at this time.

Question: How much do you have in your budget for contracts?

Answer: The $4,050,000 represents contracts and purchase orders planned for FY 1984.

Question: How much did you spend in FY 1982 and what are your projections for FY 1983?

Answer: In FY 1982, the Commission utilized $3,376,000 for contracts and purchase orders. In FY 1983, the agency plans to spend up to $4,750,000 for contracts. Some of the planned FY 1983 contracts for non-priority projects may be eliminated to cover increased pay costs.

ARTS AND CRAFTS MATERIAL

Question: In FY 1982, you started an investigation of the ingestion of arts and crafts material by children.

Was this project completed in FY 1983 as you had planned?

Answer: A voluntary labeling standard is expected to be completed in the spring of 1983.

Question: What were the results of this investigation?

Answer: Several known carcinogens or otherwise toxic chemicals such as dyes, asbestos, and solvents are likely ingredients in arts and crafts products used by children and artists. During 1979, an estimated 150 children under the age of five were treated in hospital emergency rooms in the U.S. for poisoning from home dye products. An additional 149 "dye" ingestions by children were reported in 1978 by the National Clearinghouse for Poison Control Centers (NCPCC). The 1978 NCPCC tabulations also show:

- over 600 incidents of children eating crayons or modeling clay;
- 1,200 cases of paint ingestion;
- almost 1,500 cases of children who ate glue and adhesives.

Since FY 1982, the Commission has been assisting the American Society for Testing and Materials, a prominent and widely recognized national voluntary standards association, with the development of a voluntary labeling practice for arts and crafts materials. This effort is expected to become an approved voluntary standard by spring 1983, at which time arts/crafts product manufacturers may begin product labeling. In addition to this national voluntary labeling standard, efforts to require arts/crafts product labeling are underway in several state legislatures.

Certain materials, such as dyes, asbestos and lead are included within other, chemical specific, projects. For example, our evaluation of benzidine congener dyes included a review to determine the extent of use, if any, of these substances in children's arts and crafts materials.

Question: Do you intend to spend any more resources on this project in FY 1984?

Answer: CPSC does not intend to spend any more resources on this project in FY 1984.

STRUCTURAL ENTRAPMENT OF CHILDREN

Question: Could you please describe for the record the activities that CPSC intends to undertake during FY 1984 related to structural entrapment of children?

Answer: Based on initial work in FY 1983, the Commission in FY 1984 will complete its analysis of entrapment incidents and develop recommendations for addressing these hazards. Entrapment hazard analysis will focus on those products which have openings or other features in which children can become entrapped with a potential for strangulation. Examples of these products include expandable enclosures, gym houses, gates, crib extender rails, and furniture. A key element of the project will be completion of the gathering of specialized anthropometric data. These data are needed to describe the shape and pertinent contours of the head for the 0-48 month old population so that a test device can be development.

Question: Have you developed a testing standard for entrapment?

Answer: No. The goal of the structural entrapment project in FY 1984 will be completion of activities necessary to form the basis for information and education efforts, standards or guidelines for design, manufacture, and testing of various children's products to reduce or eliminate further deaths and injuries. The Commission has completed an amendment to its crib regulation which incorporates a requirement to conduct performance tests on crib headboards to assure that there are no openings or cutouts which could entrap an infant. This requirement is for a specific type of entrapment (i.e., crib headboards).

ELECTRICAL SAFETY CODES

Question: Last year, you stated that you intended to discuss the issue of electrical safety codes with the National Institute of Building Sciences.

Have you conducted such discussions and, if so, what was the nature of these discussions?

Answer: The Chairman recently met with the President of NIBS to improve communications between CPSC and NIBS. A number of areas of mutual concern were discussed. The Commission staff has met once with a representative of the National Institute of Building Sciences (NIBS) concerning electrical safety. At that meeting, discussions were held on electrical safety and how the two groups could work cooperatively in this area. Specifically, the group discussed mutual interests regarding the rehabilitation of the electrical systems in older homes.

RISK ANALYSIS

Question: Legislation to develop a coordinated and systematic approach to the use of risk analysis by federal agencies was introduced in the Senate during the 97th Congress. The bill, S. 3006, introduced by Senator Schmitt (R-N.M.) and entitled the "Risk Analysis Research and Demonstration Act of 1982", was sponsored by Representative Ritter (R-PA.) in the House, where it was passed.

What is your opinion about the merits of such legistation?

Answer: The bill sponsored by Rep. Ritter (H.R. 6159) provides that the Office of Management and Budget would evaluate the risk analyses being conducted by Federal agencies and any relevant research in this area. OMB would also coordinate, plan, and implement a program to improve the technology of risk assessment and to devise strategies to use comparative risk assessment in regulatory decisions. The specified agencies, including the Commission, would be required to recommend research needed to meet these objectives and to conduct a prototypical risk analysis study.

The Commission would welcome the development of additional scientific knowledge concerning the techniques of risk assessment. However, the mechanism provided by this bill may not be necessary or desirable.

A study addressing much of what would be accomplished by this bill is being completed by the National Academy of Sciences for the Food and Drug Administration. The need for additional Federal action of the type envisioned by this bill could be better evaluated when the results of this study are released, which is expected to occur in the immediate future.

The extent to which this bill would further knowledge concerning risk evaluation that would be useful in the regulatory process is even less clear. A regulatory decision is more likely to involve whether a particular risk is acceptable, not what degree of risk in the abstract would be acceptable. Similarly, in many cases the appropriate regulatory decision can be arrived at without a precise estimate of the risk involved, for example, where the cost of eliminating the risk is very low and clearly justified by even the lowest likely risk.

In issuing rules, the Commission considers most of the concepts included in the definition of comparative risk analysis. However, the various agencies affected by this bill consider a wide range of risks each with different economic and policy aspects. For the foreseeable future, it is not apparent that risk evaluation technology will provide a formula for the resolution of these disparate factors.

To the extent that the demonstration projects required by this bill would impose on agencies the responsibility to attempt to fashion principles of risk evaluation and analysis that would be generally applicable to regulatory situations other than the one at hand, the already severely taxed resources of the Commission would be diverted into research on risk evaluation and analysis. The Commission is not convinced that the results of these demonstration projects will warrant the additional expenditure of resources.

NATIONAL ELECTRONIC INJURY SURVEILLANCE SYSTEM

Question: On May 15, 1982, Commissioner Statler isued a dissenting opinion of the Commission's decision to not streamline the National Electronic Injury Surveillance System (NEISS). As you know, this committee has been somewhat critical of the frequency of collection and the amount of data being collected.

Question: Please provide a copy of this opinion for the record.

Answer: The dissenting opinion of Commissioner Stuart M. Statler and the concurring opinion of Commissioner R. David Pittle follow.

DISSENTING OPINION OF COMMISSIONER STUART M. STATLER

The Consumer Product Safety Commission (CPSC) recently voted 3-2 1/ to continue intact its primary injury data system, the National Electronic Injury Surveillance System (NEISS). 2/ By its vote, the Commission neglected to take advantage of an excellent opportunity to bring much-needed, long-overdue change.

In addressing this issue, the Commission had the benefit of a comprehensive November 17, 1981 report of the in-house Hazard Data Task Force which provided the groundwork for top-to-bottom review of all the agency's information sources. In providing a thorough

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1/ The vote to maintain NEISS in its current configuration and size was 3-2. Commissioners Pittle, Sloan, and Zagoria voted to maintain the system as is; Chairman Steorts joined in voting to streamline NEISS in keeping with recognized data needs and considerably reduced agency resources and funding, now and for the foreseeable future.

2/ NEISS is comprised of a sample of 74 hospitals that are statistically representative of all hospitals with emergency departments in the United States. Sample hospitals report daily to CPSC certain information about every injury treated in their emergency departments which appears to be "associated with" a consumer product.

and objective assessment of NEISS, that report pointed out very serious deficiencies in need of being addressed. But by voting to maintain NEISS essentially unchanged, for the foreseeable future the Commission has weighted itself down with an albatross of no small dimensions.

Pressing resource constraints and increased awareness of past mistakes should have resulted in a Commission decision for a smaller, less elaborate, more efficient NEISS which suits our current needs, not those of a decade ago. But instead of opting for a scaled-down model, the Commission has decided that bigness is better, wholly contrary to the directions pointed to by both the Administration and Congress for regulatory efforts generally.

In certain areas, I believe that NEISS makes significant contributions to CPSC programs. But there persist salient deficiencies, including the collection of data on too many products, needless daily reporting of injury cases and continuous operation of the system, and too many hospitals in the sample. A scaling down of the system would both enhance its usefulness in hazard identification and substantially reduce its costs.

Specifically, I am convinced that: (1) the 250,000 injury cases per year reported through this system could be considerably scaled down; (2) the 1,000 product codes for which information is collected could be limited to some 100 or fewer significant risks of injury; (3) the frequency of reporting, now daily, could be cut back; (4) the continuous operation of the system could be made intermittent; and (5) the 74 hospitals involved could be about halved. 3/ These changes, if implemented, would not have an adverse impact on the Commission's ability to maintain a valid national statistical sampling of accidental injury from consumer products. A revised NEISS along these lines would continue to allow us to identify and respond to the most serious product hazards at greatly reduced effort and expense.

Role of NEISS

Over the years, NEISS has been a useful source of information about product-related injuries. Particularly during this agency's early tenure when a survey of the product safety landscape was necessary, it served a valuable function in exploring the terrain of the Commission's jurisdiction. Today, NEISS remains useful primarily as a source for verifying the scope of injuries associated with products and for providing a supply of injury reports for subsequent in-depth investigations. It is also valuable in providing injury cases for special studies. Findings from these investigations then can be projected into national injury estimates for any number of products -- for example, the percentage of chain saw injuries due to kickback.

3/ Over the years the sample of NEISS hospitals has been reduced from 130 to 119 to its current size of 74 hospitals.

But the capacity of NEISS to report a veritable deluge of such incidents is precisely what's wrong with the system. It gives us far more than we need. It provides volumes of data which we cannot, will not, and should not ever use. And in compiling and stockpiling this data, NEISS is accorded a level of resources which is grossly disproportionate to the contribution it makes to CPSC's efforts to protect the public from unreasonable risk of injury. As a result, other agency data systems are accorded too few resources and other promising data sources are given short shrift. 4/

For several major programs which constitute a substantial portion of CPSC activities, NEISS is of little or no value. Specifically --

- o In identifying "substantial product hazards" to be addressed through corrective action plans under Section 15 of the Consumer Product Safety Act, NEISS makes virtually no contribution.
- o In identifying "emerging hazards" as a kind of early warning mechanism, NEISS makes no material contribution.
- o In identifying burn injuries, NEISS does not ordinarily capture burns from conflagrations that result in the most serious injuries or death, although it does report less serious, contact burns.
- o In identifying chronic chemical hazards, NEISS again makes no contribution, as it is understandably unable to track and link exposure to, and illness from long-term product risks such as cancer, birth defects or mutations.

As the Hazard Data Task Force forcefully pointed out, NEISS does not substantially contribute to identifying the Commission's hazard priorities each year. For FY 1981, only 3 of 11 priority projects involved hazards about which NEISS provides useful data. 5/ For FY 1982, the figure is 3 of 10. 6/

4/ NEISS is the major component of CPSC's total hazard data system, which consists of approximately 20 sources of information about various types of product hazards. Other primary sources of hazard data include the Medical Examiners and Coroners Alert Project which collects information on product-related deaths reported voluntarily by coroners and medical examiners, CPSC's toll-free Hotline which receives phone complaints from consumers about product-related injuries, the Death Certificate Collection Program which receives certificates on all product-related deaths from the 50 states, and the agency's news clipping service which collects news articles about accidents associated with consumer products. At a cost of some $1.39 million, NEISS is by far the most expensive of CPSC's data sources.

5/ These were: chain saws, electric blankets, and coal and woodburning stoves.

6/ These are: chain saws, poison prevention packaging, and coal and woodburning heating equipment.

Questionable Product Codes

Among the more than 1,000 product categories for which NEISS collects injury reports are many which are unlikely ever to generate CPSC action or hint of any unreasonable risk of injury. 7/ Why, for example, do we need to collect voluminous data on drinking fountains, sewage pipes and covers, tie racks or toothpicks? Why laundry baskets, drinking straws, phonograph records or telephone accessories? Why clothespins, rope, seeds, combs, music boxes, tombstones, or books and magazines? 8/

At a time when a debilitating federal budget deficit for FY 1982 of from $100-150 billion is in the offing and resource cutbacks are forcing government to perform only essential functions and eliminate marginal activities, does this agency or any agency of the federal government really need to know that a tombstone may topple over and injure a bystander's leg? that a few people each year trip over telephone cords and bump into walls? that a twirled baton may descend and conk a scantily-clad cheerleader on the head? Or that, on occasion, a rambunctious cow has knocked some unsuspecting tenderfoot into a drinking fountain?

Review of the actual descriptions from NEISS injury reports for some of these products underscores the frivolous nature of much of the data collected. For instance--

Drinking fountains:

"ran into water fountain"
"dropped water cooler on finger while loading it into truck"
"struck nose against water fountain"
"pinched between cow and drinking cup"

Sewage pipes or covers:

"dropped sewer cover on toes"
"fell in sewage drain"
"driving car - hit a manhole"

Candlesticks or holders:

"wood candlestick fell off wall and hit patient in head"
"jumped down on metal candleholders, lacerated right middle toe"
"fell against wrought iron candle holder"

7/ The term "unreasonable risk of injury" derives from the language of the Consumer Product Safety Act and serves as the statutory standard for Commission decisions about addressing product hazards.

8/ Not to mention pictures and frames, knicknacks, batons, ashtrays, magazine racks and atmospheric thermometers.

Senator Garn—Continued

Laundry basket:

"lifting heavy clothes basket, back pain"
"jumped over laundry basket, struck wall with toe"
"fell down basement stairs while carrying basket of clothes"

Drinking straws:

"reaching for straw, hit elbow on coffee pot"
"cutting some straw, lacerated right index finger with scissors" (Query: a "straws" hazard or a "straw" hazard? I'm not sure it really matters.)

Phonograph records:

"dropped albums on toe"
"taking label off record with knife, it slipped"
"record was pitched across room and hit patient on lip"

Telephones or accessories:

"swallowed a key while talking on phone"
"dropped telephone on thumb"
"ran into door running to answer phone"

Aquariums or accessories:

"put seashell in nose"
"fish bowl fell on head"
"intoxicated and fell into fish tank"

Seeds:

"sniffed a seed up nostril, couldn't remove"
"lifting bag of seed, bag slipped, hand hit post"
"patient put a seed in ear"

Tombstones:

"lost balance riding bike, hit corner of tombstone, fell against it"
"playing in graveyard, tombstone fell, hit knee"
"gravestone fell on lower leg"

Pillows:

"jumping on pillow, fell, hit head on stereo"
"put piece of sponge from pillow in nostril"
"jammed finger and suffered blow to head while in pillow fight"

Paper bags:

"hit eye with paper bag"
"slipped on paper bag"
"hurt back lifting 100 pound bag of flour"

Blackboards:

"teacher hit by blackboard that fell off wall"
"put fist through chalkboard"
"ran into blackboard"

Ceilings:

"plaster ceiling fell on head"
"walking down steps, hit head on low overhang"
"while sitting on toilet, bathroom ceiling fell on head"

Such examples are disturbingly frequent across the 1,000 product codes in which "injuries associated with consumer products" are reported through NEISS. Too frequent. For years CPSC has cited national estimates of product-related injuries based on all reported incidents, these included. To me it is an embarrassment that this Commission collects information about frivolous incidents which are only faintly associated with consumer products -- which do not even approach the perimeters of unreasonable risk -- and then uses those incidents in projecting national injury estimates. Why bother? Who cares? Such figures are as meaningless as they are useless. To collect, code, classify and then calculate national injury estimates for all these categories is an unfortunate waste of taxpayer monies.

The true scope of product-related injuries in this country is misrepresented by the national estimates generated from NEISS. By calculating these estimates based on a sample which reports so many incidental and unpreventable injuries, NEISS provides an inflated number which overstates the true magnitude of the genuine risks associated with consumer products about which we, as a society, should be concerned. As a result of such non-discriminatory reporting, NEISS does a real disservice by making this agency's notable accomplishments in reducing unreasonable risks of injury appear trifling when compared to NEISS' inflated national estimates of incidents that largely cannot be prevented.

Assembling and retaining data about so many of the 1,000 NEISS product codes is a fruitless exercise. The in-house Task Force pointed out that for 1980, fully 33% of the product codes reported 10 or less injuries. Why do we continue to collect data on these and other codes of questionable value? We do so because supporters of the status quo claim they need to know which products are not associated with large numbers of injuries. They hypothesize that some future set of circumstances might someday render such data useful. "You just never know when we might need to have timely data about these products," it is argued. "Why, we might get a petition (on such and such item) and when we do, we'll be able to respond."

Ah yes, the Commission has been petitioned in the past to take action forthwith on such foreboding safety concerns as spike-tipped umbrellas, high-heeled shoes, claw hammers and fondue pots. Surely, a modicum of common sense is far more useful in summarily disposing of such silliness than reams of useless statistics which demonstrate proof-positive what we already know. The logical extension of this all-encompassing approach to data collection is to argue that NEISS should report incidents related to each and every one of the 15,000 products under the Commission's jurisdiction. Only then could Americans rest comfortably each night knowing that no bumped head, no cut finger, and no bruised toe escapes the eternal vigilance of these Raiders of the Lost Purpose!

NEISS has even overreached into collecting data about incidents tied to products outside the Commission's jurisdiction. Incidents involving trains, aircraft, commercial ships, medical devices, cosmetics, drugs, and food are collected -- sometimes for other federal agencies and sometimes not. While a very few agencies reimburse the Commission for the cost of such data collection, the statutory legitimacy of assembling data about products completely outside the Commission's jurisdiction -- where the Consumer Product Safety Act explicitly excludes us from those areas [9] -- must be called into question.

Yet another disturbing feature of NEISS product codes is that some of the largest numbers of reported incidents are for products which do not seem in any way amenable to corrective action, regulatory or voluntary. What can CPSC effectively do to alleviate the 709,500 injuries associated with stairs, ramps and landings? [10] What can we really do about the inevitable toll from glass drinking glasses, kitchen knives, tableware and accessories, bottles or jars, hatchets or axes, pins and needles, and walls? Very little, if anything.

In effect, NEISS has become a kind of PAC-MAN gone berserk, gobbling up injury reports involving everything under the sun, toting up tallies of incidents about which this agency often can do next to nothing. As it exists today, NEISS is misconceived. It is misdirected. Its effect is to minimize the agency's own noteworthy achievements and mislead the American public as to what can be accomplished by way of accident prevention.

Reporting Interval

Another sense in which NEISS is disproportionate to the operational data needs of the agency is in the daily reporting of product injuries treated in hospital emergency rooms. Currently, each day's incidents are reported to CPSC within 24 hours of occurrence. This permits agency staff quickly to re-contact reporting hospitals to ascertain a victim's name, address and phone number for those cases which we want to investigate further. But there are only 1,800 such follow-up in-depths yearly. Thus, all 250,000 incidents reported annually through NEISS must be reported in daily intervals for the sake of the 1,800 NEISS cases which are selected each year for in-depth investigation. And of those 1,800 cases, 1,400 are selected by a computer according to predetermined criteria developed by the agency's hazard analysts. So even before incidents occur, we know what types will be selected for further review. A far simpler, less costly and more efficient procedure would have the hospitals list the names, addresses, or at least the phone numbers of patients involved in the types of incidents we have pre-selected for investigation and then report those cases to us once or twice each week. Where time is of the essence, we would still be able to follow-up quickly. And where no follow-up is likely, cases could be reported over an extended period, in a more careful manner, thereby enhancing their accuracy and reducing costs.

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[9] 15 U.S.C. 2052.

[10] Based on 10,243 actual reports received in 1980.

In choosing to keep the current set-up intact, the Commission seems to believe that some benefit is gained from daily reporting. The weight of the evidence is to the contrary. Daily reporting would be of some value if these incidents were used in identifying emerging hazards or risks to be addressed through corrective actions under the notice and recall provisions Section 15 of the Consumer Product Safety Act. But for nine years, NEISS has demonstrated that it makes virtually no contribution to identifying these types of hazards in spite of its daily reporting of cases.

Continuous Operation of NEISS

A related point about the profligate operation of NEISS involves the perceived need to keep the system running continuously. Years ago, a critic of NEISS described its contribution to the agency as providing "a moving picture of a still life." What was meant was that the rankings and trends among the NEISS product codes hardly seem to change from one year to the next. The criticism is still valid. As a continuously reporting surveillance system, NEISS has proven deficient over the years precisely because of its built-in inflexibility and limitations.

NEISS should not be maintained as a continuously operating system which reports any number of superfluous incidents on a daily basis. Instead, it could still make its present contribution of verifying the scope of injuries from products were it operated on an intermittent basis only. This approach was strongly suggested to the Commission just last year by the Senate Appropriations Committee, which urged the Commission to study the feasibility of operating NEISS for 1-year durations at intevals of 3, 5, or 10 years. Unfortunately, this agency's consideration of such intermittent operation was not approached with the necessary degree of objectivity. The very staff responsible for the creation and operation of NEISS -- its care and feeding over the years -- prepared the anticipated negative response to the Committee's thoughtful observations. Not unexpectedly, the Commission approved the staff response. A predetermined commitment to NEISS *as is* -- reflected in the one-sided staff treatment of this issue -- precluded the kind of comprehensive and penetrating review to which the Appropriations Committee was entitled.

Size of Hospital Sample

The number of hospitals in the NEISS sample (presently 74) could also be significantly reduced without any material adverse impact on the system's present contributions. The Hazard Task

Force recommended a reduction of the sample size to 68, arguing that this would save the Commission $90-100 thousand annually while not decreasing the precision of NEISS' national injury estimates. A majority of my fellow Commissioners decided not to accept this suggestion. I believe the sample should be reduced considerably beyond even what the Task Force recommended.

Of all the ways in which NEISS can be scaled-down, there is no question that the reduction which achieves the greatest money savings entails limiting the number of hospitals reporting to the system. A reconstituted NEISS of 25-30 hospitals would save the agency as much as $540 thousand in annual contract costs alone. 11/ Other sizeable cost reductions involving data processing, personnel, and equipment leasing would also be achieved by cutting back the number of hospitals.

At its present sample size, the most precise national estimates produced by NEISS are accurate within a range of ±13 to 17%. 12/ Only 191 (or 19%) of the approximate 1,000 product codes for which a national estimate was figured in 1980 were within that most accurate range. In other words, 80% of the national estimates we calculate are accurate within a range of ±17-70%.

Recognizing that all NEISS estimates are really only "ball park numbers," a smaller sample of hospitals would provide slightly less precise ball park numbers. These figures, obtained at a greatly reduced cost, would still supply more than enough injury cases for CPSC to learn all that it learns from the present arrangement.

Conclusion

The Commission's interests would be best served by a restructured NEISS or similar system with the following features:

- About 100 or fewer product codes selected on the basis of current Commission priorities, interests, programs, and policies, with appropriate flexibility built-in to anticipate the reporting of new or emerging hazards, and with a greater emphasis on obtaining specific brand name information on products causing injury or death;
- reporting of each day's cases once or twice weekly, rather than daily;

11/ Based on average cost of $11,000 for each hospital contract for FY 1982 ($810,000 in costs divided by 74 hospitals). The average cost was multiplied by 49, the number of hospitals which would be eliminated in a reduction to a 25 hospital sample.

12/ For example, a national estimate of 10,000 injuries associated with a product would have a range of accuracy of plus or minus 1,703, so that the total number of injuries of a given type would be between 8,297 and 11,703.

- redesign of data elements requested from hospitals to provide more relevant and precise information and to streamline follow-up investigation;
- a reduced sample of hospitals (perhaps as few as 25 or 30) which would provide reasonable accurate national injury estimates while slashing the too-high costs of the system; and
- operation on an intermittent basis -- perhaps over a two-year period every five years, or two years on and two years off -- instead of what is now continuous reporting of so much redundant, non-germane, trivial or otherwise useless data.

Such a system would provide substantially the same contribution to agency programs as the present system and would do so at substantial cost savings to the Commission and to American taxpayers.

By maintaining NEISS in its present form, we deceive ourselves, the Congress, and the public into believing that CPSC has its "finger on the pulse" opf product hazards through its high-powered data system which daily reports hundreds of injuries asociated with consumer products. It remains a distressing irony that the agency's most timely source of injury data is of such little value in identifying new hazards in need of urgent Commission action.

In the nine-year history of the Consumer Product Safety Commission, programs and needs have changed. But NEISS cranks on, its switch locked permanently in the "on" position, oblivious to its eroding relevance and utility, spewing out reams of useless data, and consuming increasingly scarce resources. NEISS represents a triumph of technique over purpose, a statistical exercise which is increasingly less relevant to agency decision-making. Rather than serving as a cost-effective surveillance tool for identifying product hazards, NEISS has become a formidable stumbling block to fostering new methods to assess hazards. Preserving NEISS as is is a classic example of the kind of stodgy bureaucratic practices for which government is so roundly and rightly criticized. The vote to continue NEISS intact is rather like a family deciding to hang on to its Edsel even though a more efficient model would better suit their needs and the times.

I do not advocate the total elimination of NEISS. I am convinced that it is sorely in need of reform and will seek such change at every opportunity. In an era when President Reagan has been forced to reduce the scope of government by streamlining or eliminating so many highly useful government programs, can the Consumer Product Safety Commission continue to justify NEISS as it now stands and afford not to reduce its scope? This agency no longer needs such an elaborate system as presently exists. As responsible public policy-makers, we must recognize this and commit ourselves to doing better with less. This is one of the few areas where we surely can.

May 5, 1982 — /s/ Stuart M. Statler

Stuart M. Statler, Commissioner

CONCURRING OPINION OF
COMMISSIONER R. DAVID PITTLE

On February 11, 1982, the Consumer Product Safety Commission (CPSC) reviewed the findings and recommendations of a CPSC Task Force that had studied the agency's hazard data collection systems for over a year and a half. Although the Task Force examined numerous data sources utilized by the Commission, most of the discussion centered on the agency's primary data source, the National Electronic Injury Surveillance System (NEISS). After extensive scrutiny and debate, the Commission approved most of the findings and adopted most of the recommendations of the Task Force.

One of my colleagues, Stuart Statler, disagreed on numerous points with respect to the operation of NEISS. On May 5, 1982, he issued a nineteen-page dissent coupled with a three-page press release entitled "CPSC's Primary Data System Wasteful; Detracts from Agency's Notable Accomplishments." Because my colleague's dissent has focused so much attention on the agency's data collection system, I feel it useful to indicate my reasons for believing that the Commission acted properly in this matter.

Background

In the United States, accidents are the fourth leading cause of death. For Americans below the age of thirty six, accidents are the leading cause of death. As technology grows more complex, it is likely that accidents may increasingly contribute to deaths and injuries. In 1972, alarmed at what it considered an unacceptable number of accidents associated with consumer products, Congress established the Consumer Product Safety Commission to address products presenting unreasonable risks of death and injury.

Realizing that it would be difficult, if not impossible, for the agency to do an effective job without accurate information, Congress, in section 5 of the Consumer Product Safety Act (CPSA), directed the CPSC to establish an Injury Information Clearinghouse "to collect, investigate, analyze, and disseminate injury data, and information, relating to the causes and prevention of death, injury and illness associated with consumer products." To carry out this mandate, the agency has developed and utilized a number of data sources. Currently, the Commission relies, in some fashion, on approximately twenty data sources.

The agency adopted NEISS as its primary information source about acute injuries. NEISS operates by gathering injury reports from 73 hospitals across the country that, taken as a group, are statistically representative of all hospitals with emergency rooms in the United States and its territories. Participating hospitals provide information about injuries that are "associated with" consumer products. The agency deliberately chose to gather information about injuries "associated with" rather than "caused by" consumer products because causation is a very complex and sophisticated judgment to make--especially for attendants in hospital emergency rooms. From the information received, CPSC staff make national estimates of the frequency of injuries associated with consumer products. As important, the staff uses

NEISS injury reports as the basis for conducting followup investigations designed to ascertain the causes of accidents. The most essential need of the CPSC is this set of investigations that the staff undertakes relying on hospital emergency room data. These investigations provide critical information about how injuries occur, e.g., did a toy injure a child because the toy broke easily into sharp pieces or did the child's older sibling hit the child with it in a fit of anger? When a sufficient number of investigations has been gathered, CPSC staff can use them to make statistical projections of injury patterns.

For a variety of reasons--some budgetary and some policy--the CPSC has reviewed and re-reviewed its data collection systems, especially NEISS, many times. As indicated earlier, the agency established a Hazard Data Task Force in 1979 to address, once again, in a definitive way, the issues related to the collection and use of hazard data. At the outset, the Task Force report noted:

> Since 1975, CPSC has had in progress almost continuously some form of inquiry into its system for collecting and analyzing hazard data. Ambivalence over the performance of the agency's hazard data system has become a kind of organizational tradition at CPSC. (Task Force report at 3.)

After consultation with a number of independent statisticians and data collection experts, the Task Force issued a detailed report containing approximately two dozen findings and a dozen recommendations. On the whole, the group found current practices to be sound. With respect to NEISS, the Task Force recommended several changes that ranged from dropping five hospitals from the sample of 73 to expanding the "marketing" of NEISS to other agencies. 1/ The Commission agreed to adopt most of the recommendations. 2/

1/ Specifically, the Task Force recommended that the Commission: (1) retain NEISS, (2) reduce the number of hospitals in the sample from 73 to 68, (3) reduce the number of product codes, (4) reduce daily reporting of the system to twice weekly, (5) develop ways of providing NEISS injury data to selected industry groups, (6) develop a plan for "marketing" NEISS data to other agencies as a way of reducing CPSC costs. (7) develop a procedure for reviewing NEISS national injury estimates to make sure that the product codes are accurately portrayed before using them in CPSC publications, (8) develop a pilot project to adopt NEISS reports and investigations for use in identifying possible substantial product hazards under section 15 of the CPSA.

2/ The only recommendation on which the Commission directly disagreed with the Task Force was the one to drop five hospitals from the system. The Commission made no final decision regarding daily versus biweekly NEISS reports in order to permit staff to explore the possibility of acquiring equipment that would remain "on-line" with hospital emergency rooms, thereby obviating the need for a separate transmittal of information. Although no decision was made to drop product codes, the Commission did agree to study whether some codes provide so little useful information that they could be dropped. Other than these points, the Commission accepted the Task Force recommendations.

In spite of the generally favorable view of NEISS taken by the Task Force and the concurrence in this view by the Commission, Commissioner Statler viewed the situation in a different light. According to my colleague, the Task Force pointed out "very serious deficiencies in need of being addressed" and that "by voting to maintain NEISS essentially unchanged, for the foreseeable future the Commission has weighted itself down with an albatross of no small dimension." 3/ The specific points raised by Commissioner Statler against NEISS are that: (1) the system contains a number of "questionable" product codes, (2) the basic role of NEISS must be reexamined, (3) the frequency of reporting, now daily, should be cut back, (4) NEISS should be operated on an intermittent basis instead of continuously, (5) the size of the NEISS hospital sample should be cut drastically, perhaps halved, and (6) the number of NEISS injury cases reported each year should be reduced. I shall address each of my colleague's points.

Questionable Product Codes

Of the many issues raised by Commissioner Statler against NEISS, the question of whether the agency maintains a large number of questionable product codes has received far and away the most media attention. Language in his opinion and press release such as the following explain why:

> At a time when a debilitating federal budget deficit for FY 1982 of from $100-150 billion is in the offing and resource cutbacks are forcing government to perform only essential functions and eliminate marginal activites, does this agency or any agency of the Federal Government really need to know that a tombstone may topple over and injure a bystander's leg? that a few people each year trip over telephone cords and bump into walls? that a twirled baton may descend and conk a scantily clad cheerleader on the head? Or, that on occasion, a rambunctious cow has knocked some unsuspecting tenderfoot into a drinking fountain? 4/ (Statler dissent at 6.)

My colleague's colorful language to the contrary notwithstanding, I find this to be perhaps the least significant charge he raises against NEISS. First, in spite of his stirring reference to the "debilitating" federal budget deficits facing this country -- a matter of great concern to all Americans -- he neglects to mention that the Task Force, which recommended a reduction in NEISS product codes, indicated that cost factors played virtually no part in their recommendation. According to a

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3/ Statler dissent at 2.

4/ Although one must admire Commissioner Statler's vivid imagination, the NEISS reports he refers to do not detail whether the cheerleader was scantily clad or fully clad nor do they indicate whether it was a "rambunctious" cow or a contented one.

memorandum written by the Chairman of the Task Force, "significant amounts of money are not saved by eliminating product codes." 5/ The reason: most costs of NEISS are fixed. The cost of maintaining individual product codes is negligible.

Second, while I agree that some, but by no means all, of the incidents selectively culled by my colleague from NEISS reports fit into the category of frivolous, I question the perspective into which he places them. He fails to make clear that these incidents are raw, unanalyzed data. They are easy to ridicule just as the raw data coming into most government agencies or the information coming in through other CPSC data systems, such as the Hotline or consumer complaint letters, would be easy to ridicule. The fundamental point overlooked by my colleague is that frivolous cases in the raw data in NEISS do not form--and never have formed--the basis upon which CPSC regulations are written. Incidents such as those he cites will be weeded out by CPSC analysts when evaluating product injuries for use in a regulatory setting. Obviously, it is much cheaper to have a small number of professional staff analyze product-related information in our headquarters than it is to hire 73 highly paid injury analysts to weed out frivolous cases on-site at each of the NEISS hospitals.

Third, in arguing that the agency should not gather frivolous injury data, my colleague fails to convince me that he has an alternative that would exclude frivolous information without also excluding valuable information as well. While it is easy to ridicule tombstones falling on consumers' knees--and I agree that we probably do not need that information--Commissioner Statler also attacks product codes that are quite useful. For example, he mocks certain injuries associated with drinking fountains while neglecting to indicate that most injuries involve consumers running into or tripping and falling on drinking fountains. Granted that the Consumer Product Safety Commission will never set mandatory requirements for the placement of drinking fountains, the fact remains that if enough consumers are injured by water fountains that project into hallways, then architects and building contractors who get NEISS information from the CPSC may decide that recessed water fountains are worth the expense. Also, local government officials with this information might insist that building codes require that placement. Yet, because my colleague finds a few reports within the code to be silly, he would abolish altogether the gathering of information about this product regardless of its usefullness.

The mere fact that injury information is not likely to be used in the development of a mandatory standard does not mean that it is not valuable to CPSC and interested groups in the United States.

5/ Memorandum from Michael Stahl to Commission, December 23, 1981. One of the major reasons that prompted the Commission to agree to consider curtailing product codes was its concern that persons outside the agency might ridicule some of the product codes in NEISS. Commissioner Statler's opinion ensures that this prophecy is fulfilled.

The test for the effectiveness of injury information ought to be whether it can be used by someone to reduce injuries, not just whether it will support a mandatory standard. 6/

Fourth, strange as it may sound, even seemingly "frivolous" information is useful at times to the agency. The most important thing to know when the agency receives a petition is whether we have injury information that confirms or refutes the petitioner's claims. Maintaining a comprehensive NEISS product code means that the staff can usually tell the Commission whether or not the petitioner has raised a serious issue. My colleague's response to this point: abolish most product codes and use "a modicum of common sense" to decide which petitions are frivolous. Unfortunately, common sense too often misses the mark. As I shall discuss, common sense told us that exploding gasoline cans presented a serious hazard during the energy crunch of previous years when they did not. Conversely, common sense would probably lead to a quick dismissal of slant-sided refuse bins, worm probes, baby cribs or pacifiers as hazards. Yet, because we keep data on these products, we know that slant-sided refuse bins can tip and crush children, worm probes can electrocute would-be fishermen, baby cribs can choke infants between too-wide slats and pacifiers can be inhaled by babies, leading to suffocation. Unless we have information, we will not know which products present frivolous hazards and which do not.

Fifth, notwithstanding the inaccuracy of the notion that significant cost savings could be made by reducing the number of questionable product codes or that a large percentage of NEISS codes contain predominantly frivolous information, the Commission, contrary to my colleague's criticism, has approached the issue of product codes with an open mind. Commissioner Statler fails to acknowledge that the Commission, by a unanimous vote at the February 11th meeting, directed staff to study whether or not there are certain product codes that produce so little useful information that they could be eliminated. I stress the word "useful" because Commissioner Statler would abolish product codes simply on the basis that they report few injuries, irrespective of the value of those reports.

> Assembling and retaining data about so many of the 1,000 NEISS product codes is a fruitless exercise. The in-house Task Force pointed out for 1980, fully 33

6/ For example, my colleague asks what the CPSC can do to alleviate the 709,000 injuries associated with stairs, ramps and landings. The answer: nothing, if the only way one interacts with the marketplace is through mandatory standards. However, if one shares knowledge with groups such as architects, building contractors or building code officials who can make a difference, one can accomplish a lot. Interestingly, a story in the June 23d issue of the Washington Post indicated that the National Institute of Occupational Safety and Health recently gave a $61,195 contract to Georgia Tech Research Institute to study why stairways in industrial plants are so dangerous. According to the article, the Institute will try to design a safer handrail.

> percent of the product codes reported 10 or less injuries. Why do we continue to collect data on these and other codes of questionable value? (Statler dissent at 10.)

I fail to see why a product code is of questionable value simply because it has few injury reports. A code may have few injuries because the product involved is harmless. Well and good. However, a code may contain few injuries because the product is new and has not spread nationwide or because it is a specialized product, like log splitters, where there is limited demand but serious hazard. In these latter cases, the fact that the agency has few injury reports should be a spur to greater data collection efforts, not an obstacle. Our recall program under section 15 of the CPSA, in particular, can use to great advantage even limited injury data in NEISS.

One final point--the most disturbing to me--in Commissioner Statler's attack on NEISS product codes: in decrying the fact that the agency collects injury information, including "frivolous" incidents, and then makes national injury estimates from this data, my colleague argues:

> For years CPSC has cited national estimates of product-related injuries based on all reported incidents..... To me it is an embarrassment that this Commission collects information about frivolous incidents which are only faintly associated with consumer products--which do not even aproach the perimeters of unreasonable risk--and then uses those incidents in projecting national injury estimates. Why bother? Who cares? (Emphasis added) (Statler dissent at 9.)

I tend to agree that the agency should not cite these estimates willy-nilly because they can be misleading to the public. I should add that in my experience, most staff in the CPSC go out of their way to qualify the meaning of these estimates when citing them. Unfortunately, the media tends to ignore these qualifiers.

My disagreement with my colleague arises not on the charge of national estimates being occasionally misleading but on a more fundamental point. Commissioner Statler seeks more than to avoid the misuse of data, he insists that the agency not even gather it unless it fits within his notion of the "perimeters of unreasonable risk." Under his approach, the agency would gather information only in about 100 product areas--slashing the current number by 900 7/--selected on the basis of "current Commission priorities, interests, programs, and policies, with appropriate flexibility built-in to anticipate the reporting of new or emerging hazards..." 8/

7/ By contrast, the Chairman of the Task Force recommended dropping only about 100 product codes - a difference of 800.

8/ Statler dissent at 17. My colleague does not explain how the agency could build in "flexibility" to anticipate new or emerging hazards with only 100 product codes. Frankly, I am skeptical.

My colleague's scheme brings to mind the famous line from Alice in Wonderland, "Sentence first--verdict afterwards." It is backwards logic to suggest that the number of NEISS codes be limited to those concerning agency priorities, interests, programs and policies. To the contrary, we should determine agency priorities and interests on the basis of injury and death reports in our data systems, not the reverse. Were my colleague's logic applied to diagnostic activities in a hospital, x-ray technicians would be told to take pictures only of patients with broken bones. Similarly, airline guards would be told to use metal detectors to search only passengers actually carrying guns.

Contrary to the implicit assumption in my colleague's opinion, the determination of "unreasonable risk" or the "perimeters of unreasonable risk" is not an easy, mechanical judgment. It is one of the most difficult and sophisticated that the Commission makes, involving the careful weighing of injury frequency, injury severity, consumer involvement, cost of reducing injuries, and benefits to be derived from doing so. We should be extremely reluctant to delegate this judgment, even in a preliminary way, to hospital coders in emergency rooms.

Yes, we probably can remove some product codes without seriously harming the quality of our injury data collection system. To minimize carping, I would do so. Nevertheless, we should keep in mind that we will not save much money by doing so and we invite dangerous gaps in our knowledge base if we act drastically.

The Role of NEISS

Commissioner Statler makes a number of charges with respect to the role of NEISS at the CPSC. First, NEISS is too expensive--he alleges an annual cost of $1.39 million. Second, NEISS is of little or no value in identifying "substantial product hazards" under section 15 of the CPSA, in identifying emerging hazards not known to the Commission, in identifying burn injuries of a serious nature and in identifying chemical hazards of a chronic nature. Third, NEISS does not contribute substantially to identifying the Commission's hazard priorities each year. Fourth, as a result of the high costs of NEISS, other promising CPSC data systems have been given short shrift.

Cost:: In citing an annual NEISS cost of $1.39 million, Commissioner Statler substantially overstates the cost of the system. The figure he offers is the gross cost of NEISS estimated by the Hazard Data Task Force. My colleague neglects to add that the net figure cited by the group was $864,000, or over one-half million dollars less than his figure. The net cost reflects the fact that the CPSC provides injury data to other agencies and is reimbursed for doing so. 9/ Moreover, in spite of Draconian cuts in CPSC budgets by Congress in recent years, NEISS costs have declined even more rapidly than agency appropriations. From a high

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9/ Hazard Data Task Force report at 46. The exact reimbursement figure is $532,000.

of eight percent of the agency's budget in 1978, NEISS currently consumes only about three percent of the agency's annual expenditures. In dollars, this means that the cost of NEISS has been reduced from $3.28 million in 1978 to less than $1 million this year.

However, beyond the rather remarkable cost-cutting that has taken place with NEISS, I believe that an essential point must be made. That is, in order for the CPSC to collect statistically valid national injury estimates--as I believe we must--the agency cannot avoid spending significant sums of money. Clearly, we should be as cost-conscious and efficient as possible. Nevertheless, some things cost money if they are to be done well and I believe that quality data collection is one of them. My colleague has suggested no alternative to the NEISS system. He simply insists that less money be spent on it. As I shall discuss later, I strongly disagree that the integrity of the system can be maintained at the levels my colleague suggests.

Chronic Hazards, Burns and Electric Shock: I have several reactions to my colleague's assertion that NEISS plays little, if any, useful role in identifying certain types of hazards, such as chemicals that cause chronic illness, or burns or electric shocks asociated with consumer products. Simply put, the charge is a red herring. The Commission established NEISS to provide a picture of the kinds of acute injuries that pass through hospital emergency rooms because the agency felt that such a system would capture a substantial portion, not all of the accidents that arise from consumer products. In terms of what NEISS was set up to do, it does a good job. As stated by the Hazard Data Task Force, criticisms that imply that NEISS fails to provide all types of injury information about consumer products

> ... do not reflect responsible analysis of CPSC's hazard data sources. While it is true that NEISS does not provide information about chronic chemical hazards and is of limited utility for burns, shocks and electrocutions, other hazard sources do provide information in these areas. The fallacy of these criticisms is that they portray the NEISS as CPSC's entire hazard data system, rather than as the major component of that system. (Task Force report at 38.)

It is easy to see why NEISS does not report chronic chemical hazards. People with cancer generally do not have an acute reaction that sends them racing to emergency rooms for treatment. Moreover, even if they did, ascertaining which consumer product, if any, caused the cancer is one of the hardest scientific questions facing the country today.

While I agree that NEISS misses some burn injuries, I would take issue, to some extent, with the Task Force's characterization of its role as "limited." In past years, several groups criticized NEISS for missing a substantial number of burn injuries that went directly to burn centers without passing through emergency rooms, thus leading to undercounting. That criticism no longer holds, NEISS now gathers reports from a representative number of hospitals with burn centers and provides a much fuller picture of burn injuries.

The problem with NEISS and severe burns is not that NEISS misses injuries, it is that victims often have no idea which consumer product, if any, caused the fire. The only system I know that does a better job than NEISS in discovering ignition sources, as opposed to fire injuries, is the National Fire Incident Reporting System (NFIRS) run by the U.S. Fire Administration, which gathers information from fire departments who can investigate fires on-site. Finally, with respect to deaths associated with fires, just as with any consumer product where an incident leads immediately to death and the victim is taken directly to a morgue rather than an emergency room, NEISS does not register fire deaths. To capture these incidents, the agency gathers death certificates from the states.

NEISS does significantly underreport electric shock. The nature of the scenario explains the problem. Consumers who are shocked by consumer products generally either walk away from the shock or are killed by it. In neither case would the incident show up in an emergency room. We capture the deaths--obviously the most useful data--in the death certificate data base but we miss most of the nonfatal shocks unless consumers write complaint letters or phone into our Hotline. Unfortunately, I know of no data system that captures significant numbers of nonfatal electric shocks.

Section 15, Emerging Hazards and NEISS: My colleague is incorrect in stating that NEISS makes "virtually no contribution" to the identification of substantial product hazards under section 15 of the CPSA and that NEISS "makes no material contribution" as an early warning mechanism to the identification of emerging hazards. Although he does not state his source for making this charge, I presume he relied in large part on the discussion of the agency's section 15 and Emerging Hazards programs in the Hazard Data Task Force report. Basically, he seems to have embellished the point made in the Task Force report that NEISS serves the section 15 and Emerging Hazards programs more as a means of verifying that suspect products are hazardous than in identifying suspect hazards initially. However, in making this point, the Task Force, unlike my colleague, did not disparage the value of NEISS to these programs. Indeed, without the ability to verify that a product presents a hazard, the Commission would be left with endless leads and no conclusions. Moreover, for what it is worth, to say that NEISS plays its major role in verifying that products present hazards is not to say that it never surfaces hazards. NEISS is one of a multitude of sources--including the Hotline, consumer complaint letters, section 15 reports by companies, newspaper clippings, field office investigations, trade complaints, Congressional referrals and others--that the Commission uses to find new or emerging hazards. The point is that the agency looks to as many places as it can to find hazardous products.

Furthermore, with respect to section 15, while Commissioner Statler asserts that NEISS has played a limited role in this program, he does not mention that the Task Force recommended the establishment of a pilot project to increase the involvement of

NEISS in section 15 activities. As I understand it, such a project has been started. CPSC staff are currently working with NEISS hospitals to train them to use "key words" in NEISS reports to trigger the CPSC computer to alert agency staff whenever the hospital encounters an injury that it believes has been caused by a defective product. In addition, the computer looks independently for "key words" in NEISS reports indicating that a defective product was involved in an injury. Although it is difficult to predict how this project will work out, it is indicative that creative thinking may well enhance the usefulness of NEISS in section 15 activities.

Priorities: Commissioner Statler states that the Task Force report "forcefully" pointed out that NEISS does not substantially contribute to identifying the Commission's hazard priorities each year. My colleague exaggerates the point made by the Task Force with respect to NEISS and priority setting. The group did not point out, "forcefully" or otherwise, that NEISS does not contribute to agency priority setting. Rather, the Task Force report stated:

> The contribution of NEISS estimates to the selection of priority projects is somewhat limited though NEISS does play a role. A review of FY 1981 priority projects indicates that 3 of 11 of those are products for which NEISS can provide national estimates.... Again, for priority setting purposes, NEISS provides a ready source of verification about the scope of injuries asociated with consumer products, and is one of the sources to which CPSC refers in selecting priority projects. But clearly, the NEISS influences the selection of priority projects, it does not determine Commission priorities in the sense of "setting the Commission's regulatory agenda." (Task Force report at 45.)

Even this somewhat qualified description of the role NEISS plays--although clearly endorsing the involvement of NEISS more than my colleague's opinion indicates--probably understates the importance of NEISS to CPSC priority setting. First, the small number of NEISS-derived projects in FY 1981 and 1982 reflects primarily the increase in activites in the CPSC Chronic Hazards program in recent years. If one were to go back to September 1977, the first year that the agency published a list of priority projects, one would find that fully half of the product hazards listed as "high priority" were drawn from the NEISS codes.

Second, in terms of what the CPSC is supposed to consider when it sets priorities in accordance with the agency's policy on priorities 10/ NEISS clearly provides the primary source of information. As stated in the policy, the "two major criteria in determining priorities are the frequency and severity of injuries associated with consumer products." Clearly, no other data systems available to the agency provides better information of this type

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10/ 16 CFR 1009.8.

than NEISS. The unfortunate, but real, fact is that the Commission does not follow its own policy as much as it should. Instead, priority setting at the CPSC to often includes pet projects, some meritorious and some not, of Commissioners and staff. However, the fact that NEISS is not relied on more than it is in priority setting probably reflects more negatively on those of us who set priorities than it does on NEISS.

Third, NEISS plays a crucial, but underemphasized, role in the process by telling the agency what not to make a priority. For example, a petition filed with the CPSC in 1978, cited several terrible injuries and deaths from exploding gasoline storage cans. In addition, the Commission had a small number of in-depth investigations of a similar nature. This information, coupled with the rapid increase in sales of this product in response to long lines at service stations, led most of the Commissioners, including me, to make a preliminary "common sense" judgment that serious injuries and deaths were increasing rapidly, thereby justifying consideration of gas can regulation as a top agency priority. However, contrary to our common sense notions, injuries involving exploding gas cans were few and had not grown significantly as a result of the gas crisis. Instead, gasoline poisonings had jumped dramatically, clearly reflecting behavioral changes generated by the gasoline shortage but in an injury pattern different from our expectations. Had the agency not had this information from NEISS we would have undoubtedly established a project as a priority that should not have been one.

NEISS Versus Other Data Systems: Commissioner Statler contends that CPSC data sources and other promising data sources have been given short shrift because of the high costs of NEISS. While it is certainly true that the CPSC has recently trimmed some data sources like the Hotline and the death certificate program, it is not true that NEISS costs have forced these cuts. As my colleague well knows, the recent slash of nearly 30 percent of the agency's budget by OMB and the Congress explains the cutbacks in agency programs. As indicated previously, NEISS costs have been one of the most severely reduced of any at the agency--this year, they will be less than a third of what they were in 1978.

Moreover, I see no promising data source that has suffered as a result of NEISS. After reviewing numerous other data sources, including all 45 or more government agency data systems that monitor or count the incidence of health and safety hazards or the injuries, illnesses, or deaths associated with them, the Hazard Data Task Force concluded that it could find no data source as a replacement or supplement to current hazard data sources that it could recommend.

The Frequency of NEISS Reports

Another point challenged by Commissioner Statler is the need of the agency for daily rather than weekly reports from NEISS hospitals.

According to Epidemiology staff who manage and use NEISS, there are two basis reasons for a daily reporting system: (a) learning of an incident within 24 hours of a victim's arrival in an emergency room makes it easier to contact the victim for in-depth followup of cases of interest to the agency and ensures that the incident will still be fresh in the victim's mind, and (b) CPSC equipment is so old and subject to breakdown that it may not be able to withstand the stress of receiving twice as much information half as often.

Commissioner Statler's opinion does not address the second staff reason for daily reporting. His answer to the first reason: since the majority of in-depth investigation categories is predetermined,

> [A] far simpler, less costly and more efficient procedure would have the hospitals list the names, addresses, or at least the phone numbers of patients involved in the types of incidents we have preselected for investigation and then report those cases to us once or twice a week. (Statler dissent at 13.)

Were it possible to get the cooperation of hospitals in obtaining the names or phone numbers of patients in emergency rooms on a routine basis, I would see some merit in my colleague's suggestion. Unfortunately, as indicated by staff who have checked and rechecked with hospital administrators, hospitals simply will not provide this information routinely even to an agency such as the CPSC that is duty bound by law to keep such information confidential. Commissioner Statler offers no evidence in his opinion to indicate that the staff's assertions are inaccurate.

Moreover, the biggest problem facing the agency in moving from daily to bi-weekly or weekly reporting, according to most staff, seems to be the mechanical problem of overloading current NEISS equipment on the reporting days where twice the normal flow of information would occur. Overloading would lead to breakdowns which would then lead to lost information.

Although my colleague neglects to mention it in his dissent, a solution may be at hand. At the February 11th meeting, the Commission, with Commissioner Statler concurring, directed staff to purchase new equipment that would use Cathode Ray Tubes (CRT) rather than a teletype system for hospital reporting, if feasible. The CRT system would permit daily reporting at the same cost as it would for bi-weekly or weekly reporting.

Having determined that such a system is feasible, staff, according to my understanding, has recently taken steps to acquire the system.

Continuous Operation of NEISS

In reviving an old charge that NEISS provides "a moving picture of a still life," Commissioner Statler argues that rankings and trends among NEISS product codes do not change much from year to year. 11/ My colleague's reaction:

> NEISS should not be maintained as a continuously operating system which reports any number of superfluous incidents on a daily basis. Instead, it could still make its present contribution of verifying the scope of injuries from products were it operated on an intermittent basis only. This approach was strongly suggested to the Commission just last year by the Senate Appropriations Committee, which urged the Commission to study the feasibility of operating NEISS for 1-year durations at intervals of 3, 5, or 10 years. Unfortunately, this agency's consideration of such intermittent operation was not approached with the necessary degree of objectivity. The very staff responsible for the creation and operation of NEISS--its care and feeding over the years--prepared the anticipated negative response to the Committee's thoughtful observations. (Statler dissent at 14-15.)

As a preliminary response, I must say that I deeply regret my colleague's personal attack on CPSC staff. To the extent that staff offer inaccurate or unconvincing reasons for a position, their arguments are always fair game. When I disagree with staff I let them know on the merits. However, ad hominem charges against them serve no useful purpose.

In citing the Senate Appropriations Committee's suggestion that the agency study the feasibility of moving to intermittent NEISS reporting, my colleague neglects to mention that the Senate Appropriations Committee, after examining the agency's response that such an action would provide little cost saving and would significantly impair its data gathering capabilities, apparently has found little fault with the CPSC response and has moved on to other issues.

Moreover, although my colleague insists that the staff did not do an objective analysis of the issue, he fails to note that the Hazard Data Task Force, a group not dominated by Epidemiology staff, although not directly addressing the need for the CPSC to have a source of continuous case reporting, reacted rather skeptically to some of the perceived advantages of intermittent reporting.

11/ Actually, there is less than meets the eye to this charge. Rankings and trends do change in response to changing conditions. For example, the energy crisis spawned a number of changes in injury patterns. Injuries from chain saws, coal and woodburning stoves, and log splitters increased dramatically. Gasoline poisonings increased from consumers attempting to siphon fuel from automobile tanks. Also, fads can change injury patterns. Roller skating and skateboard injuries have increased in recent years.

> [I]t is fair to say at this point that no savings is likely for a 3-year or 5-year cycle, because funding from other agencies through IAG's will be lost immediately upon cessation of a continuous system. Finding resources to cover costs of shutdown, start-up, training, and equipment installation every third or fifth budget cycle could prove impossible. A ten-year cycle would be tantamount to abolition of the system altogether because it would very likely be necessary to draw a completely new sample for each start-up. (Task Force report at 58).

The biggest gap in Commissioner Statler's suggestion for an intermittent reporting system is that, in spite of his insistence that the agency adopt his proposal, he provides absolutely no basis beyond the assertion that we need it to justify his scheme. In spite of his concern about the staff's objectivity, my colleague offers no documentation to refute staff cost estimates nor does he challenge in any significant way the policy arguments made by staff. Frankly, I must say that I found many of the staff arguments convincing.

According to staff, the major consequences of intermittent reporting would be: (a) the CPSC would have to engage in a full recruitment effort every 3, 5, or 10 year to bring hospitals back into the system. Not only would that be time-consuming (hospitals traditionally have insisted on multiple levels of approval even for relatively small NEISS contracts), it would be expensive. Past recruiting costs have averaged $4,000 per hospital. (b) The CPSC would have to spend many months and hundreds of thousands of dollars training new hospital coders, the key players in the NEISS system. Past training costs have averaged $7,500 per hospital. For most hospitals, the costs of training and recruitment would be higher than the annual costs of reporting. (c) The CPSC would have to dismiss and rehire and train its own staff in the use of NEISS at great expense. (d) The CPSC would have to dismantle and rebuild its complex computer and staff support system each time it went on and off at great cost in time and money.

Additionally, staff provided cost figures, which I would characterize as conservative, demonstrating why the agency would save little, if any, money by moving to a three-year cycle of reporting. Only with 5- or 10-year shutoffs would the CPSC realize any significant cost savings. However, the loss of hazard data information for such extended periods would be disastrous for the agency--akin to driving down the highway with closed eyes. Had we axed NEISS five years ago, we would have missed innumerable product hazards spawned by the energy crisis, to name just one important area of agency concern. Included within this area would be coal and woodburning stoves, and chain saws--perhaps the highest priority project currently at the CPSC.

Although I may have some minor disagreements with staff about its analysis of the impact of moving to intermittent reporting, on the whole, I find their arguments to be well-founded. Having lived through and observed the difficulties encountered by the agency in moving from a system as originally constituted with 119 hospitals to one with 73--in many cases, different hospitals--I can appreciate the staff's misgivings. Nothing in my colleague's opinion gives me any reason for reaching a different conclusion about the problems of an intermittent reporting system.

The Number of Hospitals in NEISS

As noted by Commissioner Statler, the Commission, by a 3-2 vote, rejected a recommendation by the Hazard Data Task Force to reduce the number of hospitals in NEISS from 73 to 68. As I shall discuss later, I believe this was a wise decision. However, beyond the Task Force recommendation, Commissioner Statler insists that the Commission erred in not slashing the number of hospitals to 25-30.

The first reason advanced by my colleague for wanting to reduce the number of hospitals is that it would save a great deal of money.

> Of all the ways in which NEISS can be scaled down, there is no question that the reduction which achieves the greatest money savings entails limiting the number of hospitals reporting to the system. A reconstituted NEISS of 25-30 hospitals would save the agency as much as $540 thousand in annual contract costs alone. (Statler dissent at 15-16.)

While I agree that chopping the number of hospitals in NEISS would save the Commission money, my colleague's estimate is off by an enormous amount. Without repeating his calculation completely, I note that the fundamental assumption in his computation is a figure, cited by the Hazard Data Task Force, of $810,000 for NEISS contracts with hospitals. For at least two reasons, my colleague's calculations with this figure are erroneous: (1) The figure of $810,000 was a best estimate at the time for contract costs. As we have moved further into Fiscal Year 1982 and costs have become more precisely known, it is clear that this figure will be significantly less. The most recent best estimate for total outlays is approximately $680,000 not $810,000, and (2) more importantly, even if the total contract outlays were $810,000, my colleague would still misstate the situation. He repeats his error of citing the gross costs rather than the net costs of NEISS. A substantial portion of the $810,000 represents the cost of acquiring injury data for other agencies, for which the CPSC is reimbursed. As indicated previously, IAGs with these agencies were estimated to bring the CPSC reimbursements of $532,000. While one cannot subtract the entire $532,000 from $810,000 because some of the $532,000 represents overhead reimbursement, a substantial portion of it should be deducted from CPSC contract outlays for NEISS. If one were to attempt to do my colleague's calculation using more realistic figures, the actual savings in contract dollars of removing 43-48 hospitals from NEISS would turn out to be far less than he estimates. 12/

As further justification for reducing the number of NEISS hospitals, Commissioner Statler argues that NEISS has a substantial amount of imprecision already built into the system and that a smaller sample, while adding further to the imprecision, would not do so in a destructive way.

> At its present sample size, the most precise national estimates produced by NEISS are accurate within a range of ±13 to 17%. Only 191 (or 19%) of the approximate 1,000 product codes for which a national estimate was figured in 1980 were within the most accurate range. In other words, 80% of the national estimates we calculate are accurate within a range of ±17-70%.
> Recognizing that all NEISS estimates are really only "ball park numbers," a smaller sample of hospitals would provide slightly less precise ball park numbers. These figures, obtained at a greatly reduced cost, would still supply more than enough injury cases for CPSC to learn all it learns from the present arrangement. (Statler dissent at 16.)

Where Commissioner Statler sees a cup that is partly full, I see a cup that is nearly empty. I believe that NEISS, while still capable of producing good injury estimates in many cases, has been pared almost too far. At the time the agency moved from 119 hospitals to 73, I had misgivings about whether the system would be capable of giving us good injury estimates for many product codes. As noted by my colleague, for many product codes, the sampling error has now reached ±70 percent. Unfortunately, the CPSC is interested in many of these product codes, such as log splitters and baby walkers. It was on the basis that we have cut too far already on NEISS that I opposed the Task Force recommendation that the agency chop another five hospitals and 40,000 reports from the system. In the abstract, the 250,000 reports a year generated by NEISS sound like an ample number to review. Unfortunately, this view ignores the fact that we are looking at a universe with billions of consumer products and millions of injuries. In order to capture a meaningful picture of the nation's injury pattern, the CPSC must have a large sample of incidents. Decreasing the size of the sample results inevitably in one of two unacceptable situations--either the precision of the estimate suffers or the length

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12/ To do a proper estimate, one would need to know whether or not other agencies would continue IAGs with the CPSC given the reduced accuracy of NEISS. In the unlikely event that they would, the agency obviously would enjoy significant cost savings by cutting the number of hospitals, although not as much as my colleague suggests. In the more likely event that they would not, the CPSC share of the fixed costs of NEISS would grow and the cost savings cited by Commissioner Statler would be substantially less.

of time to gather meaningful information expands. For example, in April, 1982, CPSC staff undertook a special study of childhood poisonings from physician sample drugs. According to staff, with a sample of 121 hospitals, the study could have been completed in August. However, with our current sample, the study will have to extend into October in order to provide sufficient accuracy.

NEISS Reforms

Of the many charges made by my colleague against NEISS, the one with which I take the greatest issue is his claim that the Commission, in rejecting his scheme for restructuring the system, missed an opportunity "to bring much-needed, long-overdue change."

The fact that the Commission did not choose Commissioner Statler's specific plan for change does not mean that change has not occurred. To the contrary, NEISS has been reviewed and changed more than any other aspect of CPSC operations. Just in the past four years, the following changes have been made: (a) The number of hospitals has been reduced form 119 to 73, (b) on-site investigations by contractors have been eliminated. Most investigations are currently conducted solely by telephone from CPSC headquarters, (c) narrative descriptions for injuries have become a requirement for each report, (d) monitoring of NEISS hospitals has been transferred from field offices to CPSC headquarters to maintain high quality review at lower cost, and, (e) specific new data elements have been added for sister agencies like NIOSH, HUD, and EPA, each of which has contributed funds to share the costs of NEISS. Contributions from other agencies have substantially reduced the fixed cost of NEISS to CPSC.

One of the biggest problems that NEISS has faced over the years is too much change, not too little. After each "reform," staff has set out to refine and hone the system only to find new and different and frankly, often misguided, suggestions for change. I had hoped that after the latest, most comprehensive and certainly most thoughtful examination of NEISS by the Hazard Data Task Force, this system would have a period of stability and quiet. I suspect my hope is misplaced.

Conclusion

I believe that like many other things in today's world, we have taken an institution like NEISS too much for granted. It is a victim of its own success. When we need injury estimates and injury analyses on most products, we get them quickly and efficiently. We forget how difficult and clumsy CPSC actions would be if we did not have this marvelous tool. No one, least of all me, would insist that the system is perfect or answers all of the needs for injury information the agency has. However, in terms of dollars spent for value received, NEISS is one of the best bargains this agency has ever purchased.

/s/ R. David Pittle
R. David Pittle, Ph.D.
Commissioner

July 21, 1982

Senator Garn—Continued

Question: What plans does the Commission have to review the NEISS during FY 1984?

Answer: Over the past three years, NEISS has been the subject of several internal and external reviews. In 1980, a peer review team of statisticians from the National Center for Health Statistics reviewed the statistical integrity of the hospital sample employed by NEISS. In 1981, an internal study team known as the hazard Data Task Force provided a comprehensive review of NEISS operations and made recommendations to the Commission to streamline NEISS. Also in 1981, the Commission reviewed the feasibility of operating NEISS on 1-5 year intervals, a proposal suggested by the Senate Appropriations Committee.

The Commission presently has no plans to conduct any special reviews of NEISS operations during FY 1984. Findings from the above studies, particularly the report of the Hazard Data Task Force, have resulted in significant changes in the NEISS in the past three years, including the elimination or regrouping of the product codes under which injury cases are reported. The Commission will continue to monitor the effects of these changes on the NEISS, and NEISS operations will be thoroughly scrutinized as part of the development of the FY 1984 Operating Plan and the mid-year review of that plan.

FIELD INSPECTIONS AND SAMPLE COLLECTIONS

Question: Your September request indicated that you would collect 2,400 samples of consumer products in FY 1982. Your January request cites 1,083 samples.

How do you account for such large re-estimates?

Answer: Final data for samples collected revealed a much lower number of samples collected than anticipated. The 2,400 estimate was a mid-year planning figure.

Question: On Page 63 of your budget justification, you state that the field will perform 1,600 inspections, 1,240 sample collections, 1,400 recall effectiveness checks and 3,500 investigations.

What were the comparable figures for FY 1982 and FY 1983?

Answer: The following table provides data for units of work in FY 1982, FY 1983, and FY 1984.

	FY 1982	FY 1983	FY 1984
Inspections	1,769	1,780	1,600
Sample Collections	1,083	1,915	1,240
Recall Effectiveness Checks	1,275	1,350	1,400
Investigations	3,046	3,600	3,500

LOSS OF SCIENTISTS AND ENGINEERS

Question: In December, GAO issued a report on the attrition of scientists at EPA, FDA and CPSC. The report concludes that no significant reductions were experienced at EPA or FDA. They go on to state, however, that "The situation was quite different at CPSC. This agency, which is much smaller than FDA and EPA and has a smaller proportion of scientific and technical personnel, lost about 32 percent of both its scientific and technical personnel and its total workforce during the period under consideration".

Do you believe that the reduction in scientists has hurt CPSC?

Answer: First, it must be pointed out that GAO included consumer safety specialists as scientific personnel for purposes of its report. These positions should not have been included.

In December, 1979, the Commission reclassified consumer safety specialists from the GS-696 series (listed as a scientific series because of a positive education requirement) to the GS-1899 series (a non-scientific series). These positions are for field investigators, and the agency believes the GS-1899 series is a more appropriate series for the type of work performed by individuals in field investigator positions.

If the consumer safety specialists are removed from the CAO data, the report would have reported a loss of 23 scientific personnel instead of 51; an 18.5 percent reduction.

Twelve chemist positions were abolished when CPSC closed its 3 field laboratories. These laboratories performed chemical analysis of enforcement samples. This work is now done in headquarters or by contract.

The loss of scientific personnel has decreased the agency's capability to perform chemical analysis of enforcement samples. However, the work is generally of a lower priority than section 15 work, for example. Loss of engineers, health scientists and economists has reduced the Commission's scientific capability to a degree. The agency has been forced to reduce or eliminate some non-priority projects and eliminate front-end analysis work to identify new projects.

The Commission made a commitment to protect as much of its scientific and technical expertise as possible during the substantial reduction in resources from FY 1981 to FY 1982; CPSC has continued this commitment as a basic planning principle since that time. Although the loss of scientific personnel has reduced the agency's technical capability, the Commission has maintained the resources needed for priority projects. The Commission recently appointed an Associate Executive Director for Engineering Sciences and has filled a number of other engineering positions to provide the technical direction and resources needed to support scientific work.

Question: Will the personnel ceiling contained in your FY 84 budget result in further reductions in scientific personnel?

Answer: The personnel levels in the FY 1984 Budget will result in a loss of 3 FTE's in the Directorate for Engineering Sciences and 1 FTE in the Economics Directorate. Thus, 4 scientific, technical positions will be lost. Although priority projects are funded, the agency's technical capability for non-priority projects and basic research will be reduced.

Question: What increase in funding would you require to maintain your staffing at the FY 83 level of 636 FTE?

Answer: To fund the 4 FTE's would require approximately $150,000. To fund the 41 FTE loss from 636 FTE's to 595 FTE's would require about $1,600,000. With 41 additional positions CPSC could continue many non-priority (but still important) projects, replenish its reduced research capability, and undertake minimal front-end analysis work to identify safety problems and fixes to be considered in the future.

FY 83 VS. FY 84 PRIORITIES

Question: Some of your FY 83 priorities projects have been dropped from your FY 84 list of priorities.

On what basis were these programs deleted -- were the programs objective accomplished?

Have you established for each of the FY 84 priorities a set criteria that when met, are sufficient to remove a project from the priority list?

Please list the criteria for each of the nine FY 84 priorities.

Answer: Five FY 1983 priorities are not planned as priorities in FY 1984. These projects are:

1. Home Heating Equipment - the coal/wood and kerosene components are dropped as a priority; gas heating systems continues as a priority in FY 1984.
2. Smoke Detectors
3. Children's Chemical Hazards (nitrosoamines and phthalates)
4. Pharmacy/Medical Community Awareness
5. School Lab Chemicals

Although some activity will continue in most of these areas in FY 1984, the major work will be accomplished and major funding will take place in FY 1983. For example, the Commission is making a substantial commitment to its smoke detector program in FY 1983. The agency hopes that insurance companies and state and local agencies will continue the program in later years.

Senator Garn—Continued

The basic criteria used by the Commission to determine when a project is no longer a priority are:

1. Major work is accomplished; major milestones have been or will be met.
2. Project completion is expected in the near future.
3. Full funding is no longer required. Full funding is allocation of sufficient resources to ensure that a project is not hampered by lack of funds.

QUESTIONS SUBMITTED BY SENATOR HUDDLESTON

BUDGET REDUCTIONS

Question: In September 1982, you indicated that the OMB "recommended level" for the CPSC in FY 1984 was $33,508,000; the January 1983 request, however, is $32,000,000. What accounts for the difference?

Answer: In September, the OMB recommended FY 1984 levels for CPSC were $33,508,000 and 575 full-time equivalent work years (FTE's). Following the submission of the CPSC FY 1984 Budget Request in September, OMB revised the resource levels for the Commission below $33,508,000 and 575 FTE's. The Commission appealed these levels and subsequently, OMB directed the Commission to submit a FY 1984 Budget Request to Congress for $32,000,000 and 595 FTE's.

As a result of these changes, the Commission had to reduce its $33,508,000 spending level by $1,508,000 to reach $32,000,000. In addition, the Commission had to increase planned salaries to cover the additional 20 FTE's (575 FTE's to 595 FTE's). The Commission reduced operating funds and contracts to balance resources at the $32,000,000 OMB directed spending level.

Question: What activities have been reduced as a result of this change?

Answer: To achieve the $32,000,000 spending level the Commission reduced planned operating funds by $725,000 and reduced contracts by $1,339,000.

To reduce operating expenses by $725,000, the Commission reduced planned expenditures for building rent and security, telephones, equipment, supplies, and printing. The Commission will have to study options to determine how to achieve the planned reductions for these operating expense items.

The following information highlights the effects of the contract reductions on Commission programs.

Emerging Hazards - $95,000 reduction

The number of product safety assessments to support the Commission's Section 15 program will be reduced by 20 percent. Additionally, resources for the new project identification activity will be reduced by 50 percent. Work in this area identifies new projects to address safety hazards.

Fire and Thermal Burn - $200,000 reduction

Contract reductions were made in the following projects: (1) wood heating equipment, (2) fire toxicity, (3) open flame work involving upholstered furniture, and (4) fire growth. Although these projects are not Commission priorities, they are important components of a program designed to address the very serious fire problem in this country. Personnel resources are still available for these activities. However, the work will not proceed as quickly, and the technical scope of some activities may have to be reduced.

Electrical Hazards - $165,000 reduction

Contract reductions will force the agency to rely entirely on in-house capability to investigate fires caused by electrical problems and conduct research to more accurately pinpoint the products and causes of electrical burn and shock injuries. The program will continue to address a variety of electrical hazards, but the Commission's ability for front-end analysis will be reduced.

Chemical - $335,000 reduction

The Commission reduced the chemical program by $335,000 in contract funds. The contract reductions will reduce the agency's planned work to: (1) identify chemicals which may require strong sensitizer labeling under the Federal Hazardous Substances Act, (2) address the problem of organic pollutants present in indoor air, and (3) study the toxicity and bioavailability of dyes which may be hazardous to consumers.

Work will continue in each of these areas using in-house staff. However, time delays and reduced levels of effort are expected. The safety problems addressed by this program require highly technical analysis. At a reduced budget level, the Commission will not be able to supplement staff work with needed contract support in the above projects.

Children's/Recreational Products - $25,000 reduction

The contract reduction will reduce the agency's ability to analyze structural entrapment hazards presented by certain children's products (e.g., crib extender rails and children's furniture).

Power Equipment - $19,000 reduction

The contracts were intended to support work to address hazards presented by riding mowers and log splitters. Again, work will continue utilizing in-house staff.

Hazard Identification and Analysis - $250,000 reduction

The contract reduction will require the agency to reduce the number of death certificates which can be purchased from states. The certificates are a primary source of data which supports the section 15 program and other hazard analysis work.

The Commission will also eliminate funding for contracts in support of economic special studies and analyses. The analyses provide expert opinions and data needed to support mandatory and voluntary standards. The agency will rely on in-house staff to accomplish this work.

Engineering and Sciences - $25,000 reduction

The reduction will reduce CPSC's ability to upgrade and maintain laboratory equipment needed to support hazard program and enforcement work.

Information and Education - $175,000 reduction

The reductions will reduce the ability of the agency to maintain the impetus of the smoke detector program which was a priority project in FY 1983. The goal of CPSC is to increase the number of homes which have smoke detectors. In addition, resources for the contract which provides distribution of information and education materials to the public have been reduced.

Compliance and Enforcement - $50,000 reduction

The contract reduction will reduce the available resources for testing enforcement samples.

SCIENTIFIC AND TECHNICAL PERSONNEL

Question: In your September 1982 submission, you indicated that resources less than the agency request of $33,508,000 would require the Commission to (1) reduce scientific, technical and enforcement personnel to a point dangerously close to falling below the "critical mass" size needed to maintain effectiveness and reduce the size of CPSC's field staff... You are below the agency request level.

How many scientific, technical and enforcement personnel will you lose?

In what areas?

Answer: The Consumer Product Safety Commission's original FY 1984 Budget Request submitted to the Office of Management and Budget (OMB) in September, 1982, requested $34,995,000 and 624 FTE's. The OMB mark at that time was $33,508,000 and 575 FTE's. The additional funds requested over the OMB mark ($1,489,000) consisted of salaries for the additional 49 FTE's. These positions were for scientific, technical, enforcement and field personnel. No additional management overhead positions were requested.

Subsequently, OMB directed the Commission to submit a Congressional budget requesting $32,000,000 and 595 FTE's. This request is 29 FTE's less than the agency's original request of 624 FTE's. All of the positions would have been used for scientific, technical, enforcement and field personnel as listed below:

Area of Reduction	Number of FTE's Reduced
Epidemiology	11
Economics	1

Engineering Sciences	8
Health Sciences	2
Field Enforcement	7
TOTAL	29

Question: What impact will this have on your operations?

Answer. With 595 FTE's, the Commission will have sufficient staff to work on priority activities and other important projects. However, the reduction from 624 FTE's will affect CPSC work.

In general, the continued reduction of the Commission scientific, technical and enforcement personnel limits CPSC's ability to complete existing projects and to respond to newly identified product safety problems. The Commission has been forced to eliminate or reduce many hazard program and field enforcement activities due to lack of resources. In addition, as the size of the scientific and technical staffs are reduced in size it is difficult to maintain the level of expertise needed in each area to evaluate and address product hazards. This problem is compounded by reductions in contract funds available which makes the level and expertise of in-house staff even more critical. The following discussion provides examples of work which was reduced or eliminated as a result of the reduction in positions.

Emerging Hazards Program

Resources for the product safety assessment project were reduced. This activity provides a rapid, multidisciplinary, technical capability to evaluate potential product hazards. This project provides the basic technical support for the Commission's section 15 substantial product hazard program. The number of assessments which can be made will be reduced and response time will increase. Also, there was a reduction in the level of resources for the new project identification activity. This reduced ability to evaluate and respond to newly emerging hazards forces the agency into more of a reactive rather than preventive mode of product safety work.

Fire and Thermal Burn Program

As a result of the reductions, CPSC will: (1) delay a project designed to modify existing standards to reduce industry burden, (2) reduce resources available for work on the toxicity of combustion products, and (3) reduce the resources to analyze injury data associated with apparel fires.

Electrical Hazards Program

As a result of reductions in this program, work on an electrical grounding project will be reduced, and projects dealing with micro-circuitry, receptacles, panelboards and state and local codes have been eliminated.

Children's and Recreational Hazards Program

A reduction in the program rquires the elimination of a project to study bicycle frame breakage.

Powered Equipment Program

Reductions will reduce resources allocated for the power workshop project and a chain saw comparative safety project. In addition, a project concerning power yard equipment was eliminated.

Household Structural Products Program

Reductions in this program required the elimination of the architectural safety project as well as the renewable energy sources project.

Hazard Identification and Analysis Program

A reduction in this area will reduce the Commission's ability to conduct statistical studies to support hazard program work.

Field Program

The reduction in this program affects the Commission compliance and enforcement activities. The investigative resources would have been utilized to conduct inspections, collect samples, and monitor recalls.

Question: How many personnel do you expect to lose in the field?

Answer: The field staff will be reduced by 7 FTE's compared to the original request submitted to OMB in September.

PARTICLEBOARD AND PANELING

Question: What is the status of your work on formaldehyde emissions from particleboard and paneling?

Answer: Currently, the Commission is in the process of collecting samples of particleboard and paneling from manufacturers for testing for formaldehyde emissions. The sample collection is to be completed by the end of March, 1983. The samples will be tested for formaldehyde emissions for the remainder of this fiscal year and into part of next year. This long-term testing will provide information on how the emissions decline with product age. The emission data that will be available by the end of this fiscal year will be used to develop a preliminary exposure and risk assessment for these products based on their use in conventional homes.

Question: What conclusions have you reached regarding this matter? Do you anticipate any action by the Commission in FY 1984 other than evaluation?

Answer: The Commission has not reached any conclusions concerning the health risk associated with the formaldehyde emissions from particleboard and paneling used in conventional homes. The data from which conclusions can be drawn will not be available (except preliminarily) until the latter part of FY 1984. Preliminary emission data will be available at the end of FY 1983. The Commission has no plans to take any action regarding these products other than continued evaluation efforts in FY 1984.

Question: What resources will you allocate to this in terms of personnel and dollars in FY 1984?

Answer: In FY 1984, the Commission has allocated $569,600 and 7 FTE's for the particleboard and paneling project.

Question: To what extent and how are you coordinating your work with the Department of Housing and Urban Development?

Answer: The Commission staff worked extensively with the Department of Housing and Urban Development (HUD) last summer on their draft proposed standard to limit formaldehyde emissions from particleboard and paneling used in manufactured (mobile) home construction. We gave HUD comments in the areas of (1) health effects, (2) technical requirements, (3) cancer risk assessment, and (4) economic costs associated with the adverse health effects of formaldehyde.

The current work of the Commission primarily involves laboratory formaldehyde emission studies. HUD's knowledge in this area comes from its work with industry trade associations (Hardwood Plywood Manufacturers Association and the National Particleboard Association). Thus, in this area the Commission is working directly with the trade associations rather than HUD. Additionally, the Commission's work is focused in the area of conventional homes, whereas HUD is focusing its efforts on manufactured homes. However, the Commission and HUD have exchanged, and will continue to exchange information on economic and resin technology issues. Also, the Commission sends copies of all formaldehyde-related mobile home complaints to HUD on a routine basis.

Question: To what extent and how are you working with industry?

Answer: The Commission is working extensively with the industry. The industry has established a task force to meet regularly and discuss the work being conducted by the Commission. The industry trade associations have been involved in the development of the protocol used by the Commission in the selection of product samples for testing. The data developed from this testing will be shared and discussed with the industry.

The Commission is currently providing manufacturers and trade association representatives with a device developed for the Commission under contract for measuring formaldehyde emissions from their products. This device, although still under development, may provide the industry with an improved method for measuring formaldehyde emissions from their products. Its adoption and use by manufacturers could lead to improved in-plant quality control of formaldehyde emissions. Industry will be participating in a Commission-sponsored round-robin testing program of this device during FY 1983.

The Commission considers its current working relationship with this industry to be very good.

Question: In your September submission, you refer to seeking industry assistance to develop and implement a voluntary standard. This statement is not included in the January submission. What accounts for the change?

Answer: The Commission decided between its September and January submissions that prior to working on the development of a voluntary standard, more specific information was needed on the extent of consumer exposure and risk from formaldehyde emitted from pressed wood products used in conventional homes. Once this information is known, the Commission will then decide whether or not a standard is needed.

FUEL-FIRED APPLIANCES

Question: Do you have any preliminary findings regarding health problems resulting from fuel-fired appliances?

Answer: The Commission staff has completed testing of eight kerosene heaters in a controlled chamber environment. The testing determined the emission rates of various pollutant gases (carbon monoxide, carbon dioxide, nitrogen oxides, nitrogen dioxide, sulfur dioxide) from individual kerosene heaters under steady state conditions. These emission rates have been used to determine preliminarily the levels of pollutants which may occur in consumers' homes during use of a kerosene heater. Based on these calculated levels, we are concerned about the potential for health problems both in sensitive populations and in healthy individuals. Under several reasonable senarios of consumer use of kerosene heaters, the indoor air levels of carbon monoxide and nitrogen dioxide could significantly exceed the outdoor air quality standards set by the Environmental Protection Agency. We have similar data on emissions from unvented gas space heaters. These appliances were tested for CPSC by the Lawrence Berkeley Laboratory.

Question: What is the nature of the tests you are conducting?

Answer: The tests are conducted in a controlled experimental chamber designed to determine the pollutant generation rates of the different kerosene heaters currently on the market. Emission rates of carbon monoxide, nitrogen dioxide, and other pollutants are being determined. Using these experimentally determined emission rates, we can use mathematical models to calculate the levels of pollutants we would expect in homes under various conditions of consumer use.

Question: What remedial strategies do you have under consideration?

Answer: Our testing has not yet been completed. Neither do we have the results of other studies currently underway, including in-home testing, consumer use surveys and additional chamber testing by other researchers. The Commission has, therefore, not yet determined whether kerosene heaters, as currently marketed, present an unreasonable risk of injury to the public. Remedial strategies would be considered once the Commission determined that an unreasonable risk was presented by a consumer product.

PROGRAM REDUCTIONS

Question: In going from the September OMB "recommended level" to the January requests in the hazard programs, did you pretty much scale back proportionally?

Answer: Following the submission of the September Budget, OMB directed the Commission to submit a Congressional Budget for $32,000,000 and 595 FTE's. These levels are $1,508,000 less and 20 FTE's more than the September OMB marks of $33,508,000 and 575 FTE's. To achieve these resource levels, the Commission added 20 FTE's to the September OMB level of projects. Salary funds to cover the 20 FTE's were included and then contracts and operating funds were reduced to meet the $32,000,000 constraint.

These adjustments were not made proportionally by program. The decision of where to add staff resources and where to reduce contract funds was made on a project by project basis, taking into consideration the importance and anticipated benefits of the projects.

PAPERWORK REDUCTION ACT

Question: You indicate that the paperwork burden on industry was reduced by over 30 percent in FY 1983. How was this done?

Answer: Most of this reduction is being accomplished by amendments to existing CPSC standards which will allow the use of alternate test apparatus to test children's sleepwear and general wearing apparel.

Question: How did you derive the figure?

Answer: The Office of Management and Budget, in administering the Paperwork Reduction Act, requires agencies to prepare an Information Collection Budget which shows burden hours. In the CPSC Information Collection Budget, the Commission estimated that there were 555,383 burden hours in FY 1982 and that there would be 374,750 burden hours in FY 1983. The percentage reduction figure is based on the relationship of burden hours in FY 1982 versus the amount in FY 1983.

Question: What are your plans for further reductions in FY 1984?

Answer: Amendments to the flammability requirements for mattresses and mattress pads are expected to become final in FY 1984. These amendments may cut the existing burden hours of these regulations by half. As a result, the Commission will achieve an additional reduction of over 20 percent in FY 1984.

NEW PROJECT IDENTIFICATION

Question: In FY 1982, the Commission's New Project Identification Program for emerging hazards reviewed information on approximately 40 potentially hazardous products. In FY 1983, this is down to 25; for FY 1984, the projection is 20. Why the decline?

Answer: In FY 1982, resources for this project were used to conduct preliminary analyses of potential safety hazards. Based on these reviews, decisions were made to either stop work or to initiate projects which were undertaken by other hazard program teams. In FY 1983, the new project identification staff will review an estimated 25 potential safety problems, will continue to refer projects to other teams, and, in addition, will undertake several short-term projects to correct identified problems. These short-term actions require more staff resources than a preliminary review because the staff is seeking voluntary solutions to the identified problems by working with industry to persuade them to make voluntary corrections to a potential product hazard. The staff will, thus, be able to perform fewer preliminary reviews.

The decrease in reviews in FY 1984 is due to a reduction of resources available for this program.

PETITIONS

Question: Under Section 10 of the Consumer Product Safety Act, the Commission was required to respond to petitions requesting rulemaking to address safety problems within 120 days. Section 10 has been repealed. You are requesting reduced resources for FY 1984 petitions evaluation under emerging hazards. How long do you expect it will take to respond to petitions in FY 1984?

Answer: The Commission estimates that it will receive 10 petitions in FY 1984. It is estimated that the average petition will be responded to within 6 months from receipt to final disposition.

Question: In FY 1982, the Commission processed 21 petitions and acted on 16. What was the subject matter of the petitions and which were acted on?

Answer: The following information identifies subject matter and the status of the petitions.

	Summary of Petition	Disposition as of September 30, 1982
1.	Requests safety standards for plastic furniture; filed by Dr. Robert G. Williamson	Decision Pending

	Summary of Petition	Disposition as of September 30, 1982
2.	Requests reconsideration of proposed ban of urea formaldehyde foam insulation; filed by the Formaldehyde Institute	Denied
3.	Requests an exemption from the lawn mower standard; filed by Mr. A. J. Wildy	Denied
4.	Requests an exemption from the lawn mower standard; filed by Polynovus Industries	Denied
5.	Requests an exemption from the lawn mower standard; filed by Mr. Lewis C. Ely	Denied
6.	Requests safety standards for certain projectile toys; filed by Mr. Kenneth N. Jacoby	Denied
7.	Requests safety standard for toys with spring-activated discharge mechanisms; filed by Action for Children's Television	Denied
8.	Requests exemption for small rugs from laundering requirements of the small rug flammability standard; filed by the Carpet and Rug Institute	Decision Pending
9.	Requests adoption of the California Upholstered Furniture Flammability Regulation as a national standard; filed by the Bureau of Home Furnishings, Department of Consumer Affairs, State of California	Denied
10.	Requests a flammability test for the foam component of upholstered furniture; filed by Olin Corporation	Denied
11.	Requests withdrawal of rule on unvented gas-fired space heaters; filed by the Gas Appliance Manufacturers Association	Denied

	Summary of Petitions	Disposition as of September 30, 1982
12.	Requests extension of effective date of lawn mower standard; filed by the Toro Company	Denied
13.	Requests rule to ban certain beer keg tap rods; filed by William C. Haensch	Denied
14.	Requests an exemption from blade stopping requirement of lawn mower standard; filed by Flymo, Inc.	Decision Pending
15.	Requests stay of urea formaldehyde foam insulation ban; filed by Gulf Southern	Denied
16.	Requests rule to limit formaldehyde emissions in pressed wood products; filed by Consumer Federation of America (CFA)	Decision Pending - The staff is working on the issues raised by the petitioner within the framework of a priority project on particleboard and paneling
17.	Requests a ban of several toys; filed by Western Massachusetts Public Interest Research	Granted in Part; Denied in Part
18.	Requests a flammability test for mattresses; filed by the City of Los Angeles Fire Department	Denied
19.	Requests exemption for prednisone tablets; filed by the Mayrand Pharmaceuticals, Inc.	Granted
20.	Requests identification and testing of certain consumer products for carcinogens; filed by the Environmental Defense Fund	Letter sent to petitioner that work outlined for FY 1982 and FY 1983 within the Directorate for Health Sciences fulfills the request stated in the petition
21.	Requests a regulation for labeling of electrical wiring devices; filed by Dr. Jesse Aronstein	Decision Pending

Also during FY 1982 the Commission received 39 individual applications for exemption from preemption from a recently approved final rule on oxygen-depletion sensors for unvented gas space

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heaters; the Commission will consider the first 23 of these applications as a single petition for management purposes. Following the Commission's disposition of this first group, the remaining applications will be considered.

CONTRACTS

Question: How is a decision made on what research to do in-house and what is to be contracted out?

Answer: The decision on whether or not to contract out technical work is based upon expertise and availability of needed equipment, facilities and support for the effort. Each potential contract is reviewed by a panel of senior managers who examine these factors and the potential costs and benefits to the Commission.

Question: What research was contracted out in FY 1983?

Answer: The total amount of technical and scientific work planned to be contracted out in FY 1983 is $1,310,000.

COORDINATION OF FORMALDEHYDE EFFORTS

Question: I noticed recently that the Environmental Protection Agency was seeking to identify research on formaldehyde. Your justification also lists efforts on formaldehyde. To what extent and how do you coordinate activities with other federal departments and agencies?

Answer: Commission scientists exchange information with their colleagues at the Environmental Protection Agency, Occupational Safety and Health Administration, Department of Housing and Urban Development, and Department of Energy regarding ongoing activities on formaldehyde. This occurs on a continuing basis as new information becomes available.

In addition, the Office of Science and Technology Policy in the White House is presently sponsoring a consensus conference on formaldehyde. This conference is being conducted by the National Center for Toxicological Research (NCTR) and includes the establishment of a file on ongoing research activities regarding formaldehyde. The Commission staff has submitted a description of its research activities to the NCTR for inclusion in this file, and has responded to requests for scientists to participate in the conference and for questions to be addressed. Several Commission scientists have been selected as a part of the group of international experts to participate in this conference.

QUESTIONS SUBMITTED BY SENATOR DECONCINI

USE OF AGENCY CAR

Question: A Washington Post Article of February 10, 1983 alleges that you used an agency car for personal purposes. Did you in fact use it in this manner? Please explain. Were you picked up at your home and driven to work? Were you taken home? Was this on a regular basis? If not, how often? Was the car used for your personal errands (banking, beauty parlor, delivering personal parcels and gifts, picking up dresses)?

Answer: The Washington Post article to which you referred concerns events of approximately one year ago and mentions several isolated trips which I considered to be connected with my official activities. My use of a government vehicle has been consistently restricted to those trips which related to my duties as CPSC Chairman.

However, I have given up the car that had been available to me as Chairman for official use, lest questions about it overshadow the important work of CPSC. I announced the decision to the other Commissioners on February 11, and administrative procedures are in progress to sell the car, which is owned by this agency.

CPSC also owns another car for the official use of the other Commissioners. Both this car and the one previously available to me as Chairman have periodically been used for official messenger service to and from other federal agencies and Capitol Hill.

In response to your question about being picked up at home and driven to work, this occurred only twice when there were circumstances that rendered it appropriate and which were approved in advance by the CPSC General Counsel. The only other times I recall having the driver bring the car to my residence were occasions when I was leaving for the airport to make an official CPSC-related trip, or on return.

The car was used only when my official activities required it.

RECEPTIONS

Question: Does the Commission hold many receptions? For whom does the CPSC hold receptions? Who pays for the event including food, flowers and other incidentals? Are receptions held after business hours? Are Commission employees asked to work at receptions? Do they receive any overtime compensation? Have you ever held personal receptions or functions at the Commission? Please explain. Who pays for these receptions? If CPSC employees work at these functions who pays for overtime? For moving furniture before and after functions? (Also, answer specifically for the recent Executive Women in Government function held on Thursday evening, January 27, 1983).

Answer: The Consumer Product Safety Commission holds very few receptions. When there are occasional receptions, they are for governmental, industry and consumer groups. The incidental expenses for these receptions have been paid, variously, by the CPSC Chairman's Representation Fund and/or attendees.

Since I have been Chairman, only two receptions to my knowledge have been held after normal business hours. One was for the conferees who attended the CPSC National Conference on Product Safety at the Crystal Gateway Marriott Hotel on December 6, 1982. Expenses were paid by the attendees. No overtime was paid. The second was for the Association of Executive Women in Government (EWG) on January 27, 1983, at which all expenses were paid by EWG. Commission employees who attended were either members or guests. No overtime was paid in connection with this function. The EWG reception and meeting were held in the Chairman's suite and in the Hearing Room at the Logan Building on 18th Street, N.W. Meetings of EWG are being held this year, when possible, in various departments and agencies of government.

When a Commission reception is held, CPSC employees assist in making arrangements. If office furniture is to be moved, either Commission employees or contractees, as appropriate to the task, provide the service.

I have held no personal receptions at the Commission facilities.

TRAVEL

Question: Explain the purpose and substance of your travel to England and Sweden. Why were these expenses necessary? How much did the trip cost -- include travel, per diem, materials (describe), staff time, etc. Were arrangements made to present you with a key to the City of Birmingham, England? Whose idea was this and how was it arranged? Were CPSC staff involved in the arrangements? If so, who?

Answer: The purpose of the trips to England and Sweden were to enhance and develop further contacts and information exchange on product safety in international commerce for the Consumer Product Safety Commission.

First, the trip to England June 7-12, 1982, was to address the Golden Jubilee Conference of the Royal Society for the Prevention of Accidents (RoSPA) and to meet with representatives of several nations who were to be in attendance to discuss the status of product safety in the United States. The conference was in Birmingham, England. I was accompanied by a member of my immediate staff who was needed to meet simultaneously with RoSPA officials and coordinate activities during this conference. The total cost to the government for our expenditures - including coach-class airline fares, per diem, gratuites and incidentals - was $2,202.73. We also distributed approximately 100 information packets at the conference. They contained details of Commission regulations, priorities, publications and other background materials, including the text of my speech. The cost of these packets was about $2 each.

Senator DeConcini—Continued

Arrangements were made for me to make a courtesy call on the Lord Mayor of Birmingham by the CPSC General Counsel who handles international matters in this agency. I met the Lord Mayor very briefly during the RoSPA reception at the Council House in Birmingham. He presented me with a small china memento with the seal of the City of Birmingham. No key was presented.

Second, the trip to Sweden, September 22-25, was to address the Product Safety and Liability Seminar given in Stockholm by the Swedish Trade Office, and to meet with members of the National Board of Consumer Policies. As a consideration of the invitation to me to address this group of consumer safety experts, all of my expenses for travel and accomodations were paid by the conference which was approved by my General Counsel at CPSC. The only expenses to the Commission were the costs of approximately 100 information packets distributed to the conferees at the request of the Swedish Trade Office. This trip provided an excellent opportunity to discuss the standards for product safety in international commerce.

Senator GARN. I do want to compliment you on the work that you all do and your sincerity in attempting to make the marketplace safe and again indicate my willingness and that of the staff to work with you to do the best job we can with the dollars that are available. I appreciate your willingness to be here this morning for this hearing.

SUBCOMMITTEE RECESS

The committee will stand in recess until Thursday, March 10, at 10 a.m., when the Veterans Administration will appear regarding their fiscal year 1984 budget request—at least the part of it that is discretionary.

The hearing is recessed.

Ms. STEORTS. Thank you very much, Mr. Chairman.

[Whereupon, at 11:53 a.m. Thursday, February 24, the subcommittee was recessed, to reconvene at 10 a.m. Thursday, March 10.]

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT-INDEPENDENT AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

THURSDAY, MARCH 10, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10 a.m. in room SD–124, Dirksen Senate Office Building, Hon. Jake Garn (chairman) presiding.

Present: Senators Garn and Domenici.

VETERANS ADMINISTRATION

STATEMENT OF HARRY N. WALTERS, ADMINISTRATOR

ACCOMPANIED BY:
- EVERETT ALVAREZ, JR., DEPUTY ADMINISTRATOR
- DONALD L. CUSTIS, M.D., CHIEF MEDICAL DIRECTOR
- CONRAD R. HOFFMAN, ASSISTANT DEPUTY ADMINISTRATOR FOR BUDGET AND FINANCE
- JOHN P. MURPHY, GENERAL COUNSEL
- DOROTHY L. STARBUCK, CHIEF BENEFITS DIRECTOR
- PAUL T. BANNAI, CHIEF MEMORIAL AFFAIRS DIRECTOR

OPENING REMARKS

Senator GARN. The subcommittee will come to order.

Mr. Walters, I am happy to welcome you to your first appearance before this subcommittee.

There are about 28.5 million veterans, 52.2 million family members of living veterans, and 3.1 million survivors of deceased veterans. Thus, almost 84 million, or about 36 percent, of the total U.S. population are potential recipients of veterans benefits provided by the Federal Government.

About 33 percent of the VA's total budget and 90 percent of the VA's total employment of 220,785 is engaged in providing medical care and treatment. The functional arm of the VA that administers and operates this medical care delivery system is the Department of Medicine and Surgery, which was established in 1946. The Department operates the largest medical care delivery system in the United States with 172 medical centers.

VA's funding request of approximately $25.1 billion is composed of $15.2 billion in benefits, $8.3 billion in medical programs, $868 million in construction programs, and $719 million for general operating expenses. In aggregate, this request represents an increase of $860 million, or 3.5 percent, from the fiscal year 1983 budget level. The fiscal year 1984 budget assumes the enactment of $135 million in legislative savings. The budget also assumes an increase of 1,914 average employment over the fiscal year 1983 level.

PREPARED STATEMENTS

I see that you and three of your Directors each have a statement. The Senate is considering the jobs stimulus bill this morning and there are likely to be rollcall votes. So I would appreciate it if you could make your statement, Mr. Walters, and the others could submit theirs for the record.

[The statements follow:]

STATEMENT OF HARRY N. WALTERS, ADMINISTRATOR

Mr. Chairman and members of the Committee, I am both pleased and honored to appear before you with key members of my staff to testify in support of the Veterans Administration's fiscal year 1984 budget. I feel confident that this budget, if appropriated, would serve our Nation's veterans well. They deserve such treatment because America is number one, thanks to our veterans.

The VA must be able to provide quality medical care which recognizes the unique needs of both the aging and younger veteran population. We must maintain a balanced medical and prosthetic research program -- one of excellence with a particular focus on high-priority health care requirements of veterans. Continued improvement in rehabilitation and readjustment programs, as well as necessary cost of living increases in compensation and pension payments, are planned for in our 1984 budget estimates. As for our construction program, we have provided for new facilities and the expansion, modernization and improvement of existing facilities.

The total budget authority requested for 1984 is $26.1 billion which consists of an appropriation request of $25.1 billion, including proposed legislative cost-savings of $135 million; funding related to permanent authorizations of $714 million; and new proposed legislation with cost increases of $238 million. The request also includes an average employment level of 220,785 to provide appropriate staffing for all VA programs.

Our 1984 estimates represent a net increase of $1.1 billion in budget authority over the requested amount of $25 billion for 1983, including supplemental requirements of $189.7 million (primarily related to the October 1982 pay raise). The 1984 request also provides for a net increase of 1,914 average employment above the 1983 level of 218,871.

Although the 1984 estimates represent the largest budget request in Veterans Administration history, we believe they support President Reagan's goal of economic recovery and meet the Administration's commitment to the Nation's veterans. We welcome the opportunity to present our program plans to the Committee during the course of these hearings. With your permission, I will now highlight the appropriation requests by account.

COMPENSATION

For Compensation, we are requesting an appropriation of $9.9 billion, which is an increase of $393.4 million over 1983. Legislation for a 5.1 percent cost-of-living rate increase also is being proposed, to be effective April 1, 1984, at an additional cost of $238 million in 1984.

PENSIONS

Pensions are estimated at $3.8 billion, including an automatic cost-of-living increase of 5.1 percent effective December 1, 1983. This level is $10 million above the estimate for Pensions in 1983 and includes cost-savings legislation totaling $113.3 million.

BURIAL BENEFITS AND MISCELLANEOUS ASSISTANCE

Burial Benefits and Miscellaneous Assistance will require $149 million, up $8 million over 1983 requirements. This is primarily due to increased workloads.

READJUSTMENT BENEFITS

Readjustment Benefits will continue to decline in 1984 as reflected in our request of nearly $1.4 billion, which is $295 million below 1983. The number of GI Bill trainees continues to decline as the number of eligible veterans reach their delimiting date or attain their educational goals. We are also requesting the termination of all correspondence training, as well as eliminating the advance payment of educational assistance allowances. These two cost- savings, legislative proposals total $20.5 million.

HOUSING LOAN PROGRAMS

In conformance with the Administration's policy to replace Federal credit with private credit, VA is continuing the sale of its loan assets in the Loan Guaranty and Direct Loan programs. The total of these sales are estimated to be $839.4 million in 1983 and $377.1 million in 1984.

MEDICAL CARE

The Medical Care appropriation request for 1984 is $8.1 billion, an increase of $383.1 million over the request for 1983. Average employment would increase by 2,306 to an all-time high of 190,544.

We would thus provide for the treatment of 1.4 million inpatients, with a total average daily census of 103,065, and for 18.2 million outpatient medical visits. The increased resources also will provide for the activation of two new nursing home care units in Dallas, Texas and Wichita, Kansas; a new outpatient clinic in Pensacola, Florida; and the full activation of 4 medical centers - Bay Pines, Florida; Little Rock, Arkansas; Martinsburg, West Virginia; and Richmond, Virginia.

In addition, the 1984 request provides for new or expanded initiatives in the areas of automatic data processing decentralization; spinal cord injury home care; pharmacy unit dose; automated electrocardiographic interpretive systems; an automated medical equipment reporting system; supply processing and distribution systems; and the establishment of a new Geriatric Research, Education and Clinical Center -- bringing the total of such centers to nine.

MEDICAL AND PROSTHETIC RESEARCH

The Medical and Prosthetic Research appropriation request of $156.3 million represents a $1.5 million increase over the 1983 estimates, although average employment is down 170 to 4,215. The research program, however, will continue to emphasize priority studies in aging, alcoholism, delayed stress, spinal cord injury, health of former prisoners of war and the effects of Agent Orange on the health of Vietnam Era veterans.

MEDICAL ADMINISTRATION AND MISCELLANEOUS OPERATING EXPENSES

The 1984 request for this account of $66.6 million is an increase of $10.1 million. This level of funding will provide resources for medical program supervision and administration, including an average employment level of 856; continuation of the medical inservice training programs; and expansion of the health professional scholarships program. This program would be increased by $3.8 million and would provide one-year awards for 58 nursing students and two-year awards for another 146 students.

CONSTRUCTION

The 1984 request for the two construction appropriations totals $868.3 million; it includes funding of $783.1 million for medical facilities projects, $7.9 for cemetery projects, $25.5 for advance planning for future projects, and $45.8 million for general administration. We are also emphasizing the correction of safety and other code deficiencies.

There are 37 projects in the major request, 30 of which are new projects while seven others had some prior funding. Eight nursing home care projects, including the renovation of existing space at Bath, New York, will add 960 nursing home beds. Inclusion of three new outpatient projects reflects our continued emphasis on pursuing alternatives to hospitalization as the most effective means of caring for veterans. We are, of course, requesting replacement of the Minneapolis hospital at a total cost of $269 million.

GENERAL OPERATING EXPENSES

For the General Operating Expenses appropriation, we are requesting $719.1 million in budget authority and 20,235 average employment in the 1984 budget. While we are requesting an increase of $27.9 million in budget authority, we also are requesting a net decrease of 263 average employment from the 1983 levels.

Program enhancements include completion of the expansion of Centralized Accounting for Local Management to all medical centers; the opening of a new national cemetery in Fort Custer, Michigan and completion of activation of the Quantico, Virginia, National Cemetery; the addition of 3 new board sections for the Board of Veterans Appeals, for a total of 19; expansion of the General Counsel's debt collection activity; and expansion of the Inspector General's fraud detection and prevention activities.

The net employment decrease is due primarily to workload declines in the education, compensation, and pensions programs of the Department of Veterans Benefits.

This concludes my prepared statement, Mr. Chairman. We will be pleased to answer your questions regarding the 1984 budget estimates of the Veterans Administration.

STATEMENT OF DOROTHY L. STARBUCK, CHIEF BENEFITS DIRECTOR

Mr. Chairman and Members of the Subcommittee, I am pleased to present the Department of Veterans Benefits' Fiscal Year 1984 appropriations request. The Department administers an integrated program of veteran benefits consisting of compensation, pension, burial, education, vocational rehabilitation and counseling, loan guaranty, insurance, fiduciary and field examination, and veterans assistance activities. The Department of Veterans Benefits' request for nearly $15.7 billion represents more than sixty-two percent of the VA's approximately $25.1 billion in appropriation requirements.

Compensation, Pensions, Burial and Miscellaneous benefits are the largest segment of our budget. Our 1984 request for these benefits is $13,842,000,000. This amount is $411.2 million greater than our 1983 level and includes savings of $113.3 million from the administration's proposal to delay by 6 months the Pension cost of living increase. Again this year, we have presented our Compensation and Pensions appropriation as three separate accounts.

The 1984 appropriation request for Compensation is $9,856,000,000. This request, which is $393.4 million greater than 1983, is based upon:

- A projected decrease of over 3,700 compensation cases in 1984;

- INCREASED AVERAGE COSTS, BECAUSE OF HIGHER AVERAGE DEGREES OF DISABILITY;

- HIGHER THAN AVERAGE BENEFIT PAYMENTS FOR NEW ACCESSIONS TO THE DIC PROGRAM BECAUSE OF HIGHER PAY GRADES OF DECEASED VETERANS; AND

- A rather substantial surplus at the end of 1982 which was used to offset the 7.4 percent cost of living increase provided for in 1983.

The appropriation request for Pensions is $9.9 million greater than the 1983 amount and totals $3,837,100,000. Our request includes savings legislation linked to the Administration's proposal to delay by 6 months, the Social Security cost of living adjustment to which the Pension adjustments are tied. The savings for this proposal will total $113.3 million in 1984.

We expect a pension caseload decrease of 75,000 from the 1983 level of 1,735,000. However, average payments are expected to increase, primarily because of automatic cost-of-living increases provided by The Pension Improvement Act (Public Law 95-588).

The Burial Benefits and Miscellaneous Assistance portion of our appropriations encompasses a comprehensive burial benefit program, several special payment categories, Mortgage Life Insurance, and the Veterans Group Life Insurance program. Due to increasing mortality rates, and larger Veterans Mortgage Insurance contributions, the 1984 requirements are $7.9 million greater than those of 1983; the appropriation request for this category is $148,900,000.

To summarize, the 1984 requirements of the above benefit appropriations are 3 percent higher than 1983. This funding will provide an average monthly compensation benefit of $315 for over 2.6 million veterans and their survivors. It will also provide nearly 1.7 million veterans and their survivors an average monthly pension income of $206.

I would also like to point out that a 5.1 percent compensation rate increase will be proposed for fiscal year 1984. However, to be fair and equitible to all of our beneficiaries, we are proposing that this increase also be delayed 6 months, until April 1, 1984. The increase would benefit veterans, spouses and children receiving DIC (Dependency and Indemnity Compensation), and veterans who receive a clothing allowance. The estimated 1984 cost of this legislation--$238 million--is not reflected in our appropriation request.

Our $1,371,000,000 Readjustment Benefit Appropriation request for 1984 is $294.8 million lower than 1983 and includes savings legislation amounting to $20.5 million. A reduction in the number of G.I. Bill (Chapter 34) trainees contributes to this decrease. It is expected that 150,000 fewer veterans and servicepersons will train in 1984 than in 1983. This decrease is mostly attributable to a greater number of veterans reaching their 10 year delimiting date and fewer servicepersons eligible for Chapter 34 benefits.

These funds will provide monthly education assistance payments to: 533,300 Vietnam Era veterans and servicepersons; 32,500 disabled veterans in need of vocational rehabilitation; and 85,800 children and dependent spouses. Also provided for are 540 specially adapted housing grants, 700 automobile grants, and 10,500 automotive adaptive equipment items.

In fiscal year 1982, $207.4 million in overpayments were established, which represents a 20.8 percent decrease from FY 1981. However, the balance of overpayments on hand has increased from $434.9 million at the end of FY 1981 to $615.3 million at the end of FY 1982. This increase reflects the effects of reactivation of previously terminated accounts amounting to $193.8 million. Had this reactivation not occurred the overpayment balance would have shown a decrease in 1982.

In accordance with Public Law 96-466, our Centralized Accounts Receivable System (CARS) is scheduled to begin charging interest and administrative costs of collection of education debts in April 1983. The rate of interest charged will be based on the rate of interest paid by the United States for its borrowing. Also, CARS will begin referring delinquent accounts to Consumer Reporting Agencies by the end of FY 1983.

Loan origination activities for this fiscal year and 1984 are estimated to be significantly higher than they were in fiscal year 1982. Our projections are based on the decline in mortgage interest rates from a historical high of 17.5 percent, to the current 12 percent. During the first quarter of 1983, appraisal requests were up 200 percent and home loan applications up 189 percent over the same period a year ago. Clearly, all signs point to a housing recovery beginning in 1983.

Primary funding for the Loan Guaranty program will continue to come from loan sales; netting us $725 million in 1983 and $377 million in 1984. We are also anticipating the transfer of $100 million from the Direct Loan program in 1984.

While property management activities during fiscal years 1983 and 1984 are expected to be slightly lower than they were in 1982, we will continue our efforts to reduce the inventory.

Loan servicing activities assist veterans in retaining their homes as well as help moderate any rises in our housing program costs. Improved supplemental servicing efforts during 1982 resulted in a rate of cured defaults of 88.7 percent in 1982, somewhat lower than the 91.5 percent experienced in 1981. We will continue to try to improve these percentages.

VA's Insurance Programs make what we feel are significant contributions by providing insurance protection for veterans, their families and dependents. Since only one of the six government administered insurance programs is available to new enrollees, the total number of insured veterans is expected to decline. Also, as the average age of insured veterans rises, death and disability claims can be expected to rise. Four of our six insurance programs pay dividends. In calendar year 1983, 3.7 million veterans will share in a record $673.2 million in dividends.

THE FINAL AREA I WOULD LIKE BRIEFLY TO MENTION TODAY INVOLVES THE DEPARTMENT'S 1984 GOE BUDGET REQUEST OF $481,024,000, THIS IS $6,609,000 MORE THAN 1983, AND WILL SUPPORT AN AVERAGE EMPLOYMENT OF 14,404, A REDUCTION OF 419 FROM 1983. SAVINGS OF $893,000, AND 32 FTE FROM LEGISLATIVE INITIATIVES ARE BUILT INTO THIS REQUEST.

ALTHOUGH THE REDUCED EMPLOYMENT EQUATES TO A REDUCTION OF OVER $9 MILLION, INCREASED PAYROLL COSTS FOR MATCHING CONTRIBUTIONS TO THE MEDICARE PROGRAM AND HEALTH BENEFITS AND INCREASED SALARY LEVELS EFFECTED IN FY 1983 LOWER THIS REDUCTION BY HALF TO ABOUT $4.5 MILLION. OTHER INCREASES IN RENTS, COMMUNICATIONS, UTILITIES, TRAVEL AND EQUIPMENT ELIMINATE THE REMAINING SAVINGS WITH A NET RESULT OF THE $6.6 MILLION INCREASE IN 1984.

MR. CHAIRMAN, THIS CONCLUDES MY STATEMENT. WE WILL BE GLAD TO DISCUSS OUR BUDGET WITH THE SUBCOMMITTEE.

STATEMENT OF DONALD L. CUSTIS, M.D., CHIEF MEDICAL DIRECTOR, DEPARTMENT OF MEDICINE AND SURGERY

The Department of Medicine and Surgery is committed to improving the management of resources to achieve maximum effectiveness and efficiency in the delivery of quality health care to veterans.

The requested medical program increases of 2,117 average employment (FTEE) and $395 million are for uncontrollables, e.g., inflation and increased usage and payroll needs including the October 1982 pay raise; activation requirements for newly-constructed DM&S field facilities; and essential program changes.

The VA operates the largest health care delivery system in the United States. In Fiscal Year 1984 the Veterans Administration will treat about 1.4 million inpatients with almost 1.3 million of these treatments in VA facilities. In addition, we will provide for over 16.4 million medical and dental staff visits in our facilities and will administer a fee program providing treatment for 1.8 million medical visits and 46,000 fee dental cases.

A total of 190,544 FTEE and approximately $8.1 billion are requested in Fiscal Year 1984 to accomplish the VA Medical Care mission. This is an increase of 2,306 FTEE and approximately $383 million over the Fiscal Year 1983 budget estimate. Included in this net increase is $258 million associated with uncontrollable increases, and $83 million for facility activations.

Additional resources are requested to support expansion of the affiliation with the MeHarry Medical College, an increase in Education and Training activities, increased maintenance and repair and capital investment, and various transfers of funding responsibility. In addition, the Fiscal Year 1984 budget request provides for new or expanded initiatives in the areas of pharmacy unit dose, ADP decentralization, Geriatric Research, Education and Clinical Centers (GRECCs), spinal cord injury, Automated Electrocardiographic Interpretive Systems (AECGIS) and the Medical Equipment Reporting System (MERS).

These increases are offset by savings resulting from conversion to Centralized Accounting for Local Management (CALM), expansion of the Supply Processing and Distribution (SPD) System and a reduced demand for inpatient domiciliary and outpatient fee programs. The total net change from Fiscal Year 1983 related to workload and program changes, excluding facility activations, is an increase of $42 million.

Under Medical Administration and Miscellaneous Operating Expenses (MAMOE), we are requesting 856 FTEE and $66.6 million in Fiscal Year 1984. This request is an increase of $10.1 million over the Fiscal Year 1983 level of $56.4 million.

Utilizing this increase and realigning existing activities within the MAMOE appropriation, sufficient resources will be available to meet the uncontrollable requirements of payroll and inflation; provide for increased support of Agent Orange activities; accommodate various transfers of funding responsibility; and provide continuing support for the Postgraduate and Inservice Training and Health Professional Scholarship programs.

Support for DM&S Central Office staff is essential if we are to continue to provide medical program supervision and administration, including the development, coordination, and implementation of national policies and plans regarding medical care for the veteran population.

For Medical and Prosthetic Research, we are requesting 4,215 FTEE and $156.3 million in Fiscal Year 1984, a decrease of 170 FTEE and an increase of $1.5 million from the 1983 budget estimate. The uncontrollable needs of the Medical and Prosthetic Research program, which include payroll and inflation, will be met with the additional resources requested and by reducing support for lower-priority projects. This request includes $3.6 million for Agent Orange activities. However, no additional resources are included for the epidemiology study being developed by the Centers for Disease Control (CDC). These will be requested at a later date.

Under Grants for Construction of State Extended Care Facilities, we are requesting $18 million which will continue the program at the 1983 appropriated level.

We are requesting $500,000 for Grants to the Republic of the Philippines in Fiscal Year 1984, the same as in 1983. Public Law 97-72 authorized this annual grant program to support the maintenance and upkeep of the Veterans Memorial Medical Center physical plant and facilities.

In summary, the request for programs of the Department of Medicine and Surgery totals 199,099 average employment and $8.3 billion, which is 2,117 average employment and $395 million over Fiscal Year 1983. Approximately 89 percent of the increase is required for uncontrollables and activations requirements.

That concludes my statement Mr. Chairman. I will be pleased to answer any questions you or members of the subcommittee may have.

STATEMENT OF PAUL T. BANNAI, CHIEF MEMORIAL AFFAIRS DIRECTOR

THE DEPARTMENT OF MEMORIAL AFFAIRS IS RESPONSIBLE FOR THREE VETERANS ADMINISTRATION MISSIONS: FIRST, THE OPERATION AND MAINTENANCE OF THE VETERANS ADMINISTRATION NATIONAL CEMETERY SYSTEM; SECOND, THE PROCUREMENT AND SHIPMENT TO DESTINATION OF HEADSTONES AND MARKERS FURNISHED UPON APPLICATION FOR GRAVES IN BOTH NATIONAL AND PRIVATE CEMETERIES; AND THIRD, THE GRANT PROGRAM FOR AID TO STATES IN ESTABLISHING, EXPANDING OR IMPROVING STATE VETERANS CEMETERIES.

THE MANAGEMENT STRUCTURE WITHIN THE DEPARTMENT OF MEMORIAL AFFAIRS TO SUPERVISE AND CONTROL OUR ASSIGNED MISSIONS CONSISTS OF A CENTRAL OFFICE STAFF AND THREE AREA OFFICES, PRESENTLY LOCATED IN PHILADELPHIA, ATLANTA AND SAN FRANCISCO.

A TOTAL OF 140 CEMETERIAL INSTALLATIONS ARE NOW INCLUDED IN THE NATIONAL CEMETERY SYSTEM, OF WHICH 108 ARE NATIONAL CEMETERIES AND 32 ARE MISCELLANEOUS BURIAL PLOTS AND MONUMENT SITES. THE 108 NATIONAL CEMETERIES INCLUDE THREE NEW ONES. THE REGIONAL CEMETERY AT INDIANTOWN GAP, PA OPENED IN SEPTEMBER 1982. THE QUANTICO, VA NATIONAL CEMETERY IS SCHEDULED TO OPEN SPRING 1983. THE POST CEMETERY AT FT. CUSTER, MICHIGAN OPENED IN JUNE 1982. THIS CEMETERY WILL SERVE INTERMENT REQUIREMENTS FOR THE REGION V NATIONAL CEMETERY, PENDING THE OPENING OF THE FT. CUSTER NATIONAL CEMETERY IN EARLY 1984.

RESOURCES ARE ALSO INCLUDED TO OPERATE AS A NATIONAL CEMETERY THE POST CEMETERY AT FT. RICHARDSON IN ANCHORAGE, ALASKA.

UNDER THE GENERAL OPERATING EXPENSES APPROPRIATION, WE ARE REQUESTING $41,256,000 IN BUDGET AUTHORITY FOR CEMETERIAL OPERATIONS AND MAINTENANCE. SOME 67% OR $27,640,000

OF THIS IS FOR SALARIES AND OTHER RELATED BENEFITS AND WILL FUND AN AVERAGE EMPLOYMENT OF 1,186. THE OTHER 33% OR $13,616,000 WILL BE USED FOR EQUIPMENT, SUPPLIES, FUEL, CONTRACTS AND COMMUNICATIONS.

DURING 1984, WE EXPECT TO ACCOMPLISH 44,500 INTERMENTS AND MAINTAIN 1,544,200 OCCUPIED GRAVESITES. IN ADDITION, OUR WORKLOAD INCLUDES THE PROCESSING OF 282,000 APPLICATIONS FOR HEADSTONES AND MARKERS.

THE 1,186 AVERAGE EMPLOYMENT WE PLAN TO FUND IN 1984 INCLUDES AN AVERAGE OF 372 GENERAL SCHEDULE EMPLOYEES AND 814 WAGE GRADE EMPLOYEES. WE HAVE COMPUTED THE PERSONNEL REQUIREMENTS ON THE WORKLOAD RATIO OF ONE EMPLOYEE PER 167 INTERMENTS AND ONE EMPLOYEE TO MAINTAIN 2,818 OCCUPIED GRAVESITES. THE 1,186 EMPLOYMENT REQUEST REPRESENTS AN INCREASE OF 22 POSITIONS OVER THE 1983 LEVEL OF 1,164. THIS INCREASE WILL BE USED PRIMARILY TO STAFF THE NEW CEMETERIES AT QUANTICO AND FT. CUSTER.

THE 1984 REQUEST FOR CONSTRUCTION FUNDS TOTALS $8,429,000. WITH THESE FUNDS, WE WILL DEVELOP 78,000 GRAVESITES AND ADDITIONAL FACILITIES AT CALVERTON NATIONAL CEMETERY AND CONSTRUCT AN ADMINISTRATION BUILDING, ENTRANCE DRIVES AND GATE AT FORT LOGAN NATIONAL CEMETERY, CO. INCLUDED IN THE REQUESTED AMOUNT IS $500,000 FOR THE ADVANCE PLANNING FUNDS AND $3,065,000 IN CONSTRUCTION MINOR FUNDS TO PROVIDE NEEDED CEMETERY FACILITIES, AND PURCHASE OF LAND.

1984 WILL BE OUR FIFTH YEAR OF OPERATION OF THE STATE CEMETERY GRANTS PROGRAM. $2,500,000 WAS REQUESTED FOR 1983. CURRENT EXPERIENCE INDICATES THAT A TOTAL OF $3,000,000 WILL BE NEEDED FOR 1984.

THAT BRIEFLY SUMMARIZES THE 1984 BUDGET REQUEST FOR THE DEPARTMENT OF MEMORIAL AFFAIRS. I WILL BE GLAD TO ANSWER ANY QUESTIONS YOU MAY HAVE.

Senator GARN. I hope we are not interrupted by votes, but we will proceed as rapidly as possible before the bells start ringing.

Mr. WALTERS. Thank you, Mr. Chairman. I would like to thank you for the warm reception you gave me during our earlier meeting in your office.

I would like to tell you Wally Berger does a fine job for the committee.

Senator GARN. He really does, but I don't like him to get too big a head.

Mr. WALTERS. Well, my executive assistant has no hair like you. He claims God only made a few perfect heads and covered the rest with hair.

Senator GARN. Well, you need to hear the sequel to that. That story obviously is not original. I have been telling it for years, as many people know. However, there is a sequel. That is, God gave every man a certain number of male hormones at birth, and if you want to waste yours growing hair, it is all right with us. [Laughter.]

ADVOCATE FOR VETERANS

Mr. WALTERS. I will have to put that in my package.

Mr. Chairman, I am going to make a brief statement, and I am going to ask my associates not to make statements so we can get on with the questions in view of the time constraints.

I would like to make an informal statement and report to you that before I took this assignment, I asked the President for only one condition, and that was that I would be an advocate for the veterans in this Administration. I intend to be that, notwithstanding good management practices and all the rest of the things that obviously go along with it. That will be the prevailing theme under which I will operate, and the President is comfortable with that. I think this budget, which is fair and honest and was internally negotiated within the Administration, shows that the President is an advocate for the veterans, just as I am.

AGING VETERANS

This is an opportunity for me, and I would like to take just about 2 or 3 minutes to read a statement which I think is paramount from a management and vision sense for the Veterans Administration. We call it the second challenge.

The Veterans Administration is committed to leadership and innovation in dealing with the second great challenge posed by the great cohort of veterans of World War II. Once it was the challenge of caring for that population's immediate needs in a way that would enhance the quality of their care and show leadership in accomplishing that goal. Today it is the challenge of the graying of America, so large a proportion of which is the graying of the veteran. We have not been laggard in meeting this need, but rather are setting a course which will be as important to the rest of the Nation as it is to veterans and their families.

In 1946, the VA established its policy of affiliation with medical schools, later adding affiliation with the whole array of schools of health professions. The adoption of that policy solved post-World War II staffing problems and greatly improved the quality of care. The VA today is the cornerstone of the ongoing health profession's education and training effort of the Nation—the largest single system focus of such professional training in the United States. Further, the VA serves as the base for a VA research effort, the fruits of which are available to all.

Forty years from now, that same cohort of veterans, whose needs inspired that kind of creative solution, will demand—and will receive—the same kind of innovative approach to care for the aged.

DEMOGRAPHICS OF THE GRAYING AMERICAN

The demographics of the graying American are indeed compelling. According to "Developments of Aging," a 1981 report issued by the Senate Committee on Aging in 1980, 11.3 percent of the U.S. population was 65 or older, four times the share of a century ago and more than double that of 50 years ago. By the end of the century, the elderly population is expected to increase by another 30 percent. The veteran population will occupy a significant portion of the elderly cohort. Two-thirds of all males over age 65 in the year 2000 will be veterans.

Yet, in spite of the enormity of the numbers, a coherent Federal policy on caring for the elderly has not emerged. Quoting Robert N. Butler, recent Director of the National Institute on Aging, "No sector of American society * * * has yet put together an effective response."

The VA has the capability and resolve to assume leadership in response to this second challenge. The VA's national system of health care facilities established relationships with health professional training programs and research efforts targeted to aging problems have demonstrated a track record of effective care of the aged.

The result of our current planning efforts, to be ready this fall, will provide a foundation around which Federal and private-sector policy development can coalesce.

Mr. Chairman, I have only one other thing to say. We have a bumper sticker and new motto for the Veterans Administration—and we will be sending you one for your wall—"America is No. 1 Thanks to Our Veterans."

Senator GARN. Thank you very much.

Senator Domenici, first, let me welcome you as a new member of this subcommittee and of the Appropriations Committee. We are happy to have you as a member of this subcommittee as long as you won't give your Budget Committee speech which I have had to listen to several times.

Senator DOMENICI. Thank you, Mr. Chairman. I have to go chair at that other committee.

Senator GARN. He doesn't like me to give my Banking Committee speech either, so we are equal.

PRESIDENT'S PROGRAM OUTLINED

Senator DOMENICI. I have a statement that outlines a program that the President has submitted through Mr. Walters. I want to make it a part of the record and just commend him for the work he and his staff have done and for the budget that was submitted. I think it is an excellent proposal for the veterans of our country. It addresses the right issues, and I hope the subcommittee supports it. I have no reason to believe it will not.

PREPARED STATEMENT

Mr. Chairman, I am delighted to be here with you. I look forward to a long working relationship with you and with the new Administrator. If you would make my statement a part of the record, I will proceed over to chair the other committee.

Senator GARN. We would be very happy to make it a part of the record.

[The statement follows:]

STATEMENT OF SENATOR DOMENICI

Mr. Chairman, I am pleased to join you today for the HUD-Independent Agencies Subcommittee hearing on the President's fiscal year 1984 budget request for veterans' benefits and services. I look forward to working with you and other members of the subcommittee on veterans' programs.

I welcome Administrator Walters to his first hearing before this subcommittee. It is also my first attendance at a subcommittee hearing on VA programs. I commend Mr. Walters and his capable staff who serve our veterans with such dedication.

I will be brief this morning because the Budget Committee, which I chair, is in session to mark up the First Budget Resolution for Fiscal Year 1984. We are on an accelerated schedule in an attempt to complete Senate action prior to the Easter recess.

The President and the Congress have always upheld their commitment to our Nation's 28.5 million veterans. Over the past 10 years, the veterans' budget has doubled, and the President has proposed a record $26.1 billion budget for fiscal year 1984. The administration continues its efforts to meet the important needs of veterans. The President's budget provides an overall increase of 4 percent for veterans programs in fiscal year 1984, while restraining the growth of veterans entitlement programs to help us combat escalating Federal deficits.

I would just briefly highlight the President's request:

—A 6-month delay in the cost-of-living increase for both the veterans compensation and pension programs as proposed for social security and other indexed entitlement programs.

—An overall 11-percent increase in hospital and medical care for veterans—for a total of $9.2 billion.

—A 58-percent increase in construction funds to replace facilities and increase the number of long-term care facilities.

—An 8-percent increase in VA medical care to provide direct patient care services in the Nation's largest medical care system.

These are just a few major highlights of this year's budget. The Administrator and his associates will address the budget in detail. Their testimony is especially timely in view of the budget and appropriations schedules.

I look forward to a long association with the members of this subcommittee, the VA, and, of course, our veterans and their service organizations.

Senator GARN. Despite my kidding around, we are happy to have you on the committee. Senator Domenici has been involved with the overall budget in probably one of the most difficult times. Certainly in the time I have been in public office, he has done an incredibly good job with the budget, despite the fact I don't like to hear his speech over and over again.

Senator DOMENICI. Thank you, Mr. Chairman.

FISCAL YEAR 1984 LEGISLATIVE PROPOSALS

Senator GARN. Mr. Walters, could you describe for us the legislative proposals included in the 1984 budget?

Mr. WALTERS. Yes, sir. The proposals included in the budget are: A delay by 6 months of the cost-of-living adjustment for compensation recipients from October 1, 1983, to April 1, 1984, and a concurrent delay by 6 months, from June 1, 1983, to December 1, 1983, of a cost-of-living increase for pension recipients as well. We also propose to terminate the advance payment of educational assistance allowances and eliminate all correspondence training.

Senator GARN. If these proposals are not enacted by Congress, what would be the implication on your budget?

Mr. HOFFMAN. Mr. Chairman, for compensation, this would require an increase of $238 million over what we currently have in this budget, to approximately $475 million for compensation. For pensions, we would see an estimated increase in outlays for 1983 of $45.5 million and an additional appropriation request of $113.3 million in 1984. For readjustment benefits the 1984 appropriation would increase by $20.5 million; $15.6 million of this would be for the advance payments proposal and $4.9 million would relate to the elimination of the correspondence training program. So the total impact of this would be fairly substantial.

Senator GARN. In the event that one group of recipients of Federal entitlement programs are exempt from the 6-month COLA delay, would you recommend that the veterans be that group?

Mr. WALTERS. Yes, I would. It would be the most equitable solution.

Senator GARN. Your budget justification also anticipates a requirement for an additional $238 million for compensation. Is that still your best estimate?

Mr. WALTERS. Yes, it is, sir.

HOUSTON RESEARCH STUDY

Senator GARN. Recently a medical research study concerning the diagnosis of patients in the Houston Veterans Administration Medical Center was reported in the Washington Post. The article notes that of 209 patients checked, 185 important symptoms were missed. These "missed" symptoms were cited as those that would, if known, significantly change and improve the treatment. In all, 31 percent to 79 percent of the patients reviewed had errors in symptoms noted. Could you comment on how serious you feel this finding to be?

Mr. WALTERS. I would ask Dr. Custis to respond directly to that.

Dr. CUSTIS. It is a source of embarrassment, Mr. Chairman. I think if the study were completely understood, it would be less so. I think physicians reading that study would get one picture from it, but perhaps the public, not having the background, would get another.

It is absolutely true that any physician, whether in training as a house staff officer or who is a trained practitioner, would have a certain percentage of overlooked signs and symptoms if closely monitored for findings for physical exams. I think it is a question of quantity, and I also think that the practice of medicine, in the final analysis, is in very large part an art. The mental discipline to insure the accuracy and completeness of an exam is something that is acquired with experience. I think the article in question said that if older, more experienced, practicing physicians were similarly surveyed in their work, they, too, would be exposed to the same accusation.

I think the point to be made is, viewed in the proper perspective, that this study brings out something that needs constant attention. I can assure you that we will do everything we can to see that the subject of resident supervision is constantly monitored.

Senator GARN. I don't disagree with you at all. As I have said to you before, my father-in-law is an M.D. I have many doctors in my family, and certainly what you have said is true. However, I think it is a matter of the degree. Is this excess greater than what you would expect people to miss? I guess the thing that would bother me is where the story said "important symptoms." Obviously the definition of "important" is also one that is open to discussion. I think that is the thing that I and the subcommittee are interested in. Certainly there are going to be missed symptoms no matter how thorough someone is. It is a question of, is there more here than you would normally expect? Are they missing serious medical problems that should have been picked up? However, I am not in a position to judge that. It is certainly something that I think needs to be watched, particularly because of what Mr. Walters and I discussed about the image of the VA. That is the problem, whether it is the VA or whether it is a U.S. Senator. We live in a fishbowl that is quite different. You may go into a civilian hospital and find the same percentages, but you are not going to see newspaper stories about it. So I think we have to run an even tighter ship in many cases when we are involved in public service than we would in other areas. So I hope you can keep close watch on it and make sure it is not out of line with what would normally be expected for any reasonable M.D. to find. We should not miss important symptoms that could dramatically affect somebody's health care and their future prospects.

Dr. CUSTIS. I think it is important to also have the record show that the Houston VAMC is one of our finest hospitals and the quality of care is known to be excellent.

VETERAN POPULATION CHANGES AND TRENDS

Senator GARN. At last year's hearing, we discussed the shifting of the veteran population and the effect that that shift would have on the VA for new or replacement facilities. I noted in Albuquerque, N. Mex., despite a declining workload between 1977 and 1981, you are projecting an increased need for beds by 1990. You expected the medical district's veteran population shifts from northern States to Sunbelt States—but we never really resolved whether it was the affluent veteran who would migrate, or the less affluent veteran who would turn to the VA for health care? Have you performed any studies that project these population changes?

Mr. WALTERS. There have been studies performed, but I am going to ask Dr. Custis to go into each of the studies and to discuss the ones that have not been conducted yet.

Senator GARN. Has the 1980 census helped you in confirming your estimate?

Dr. CUSTIS. All the data concerning veterans from the 1980 census are not yet available. Data which have been made available to us help us considerably in tracking the demography, and specifically the expected geographic, shift of veterans. Also, these data are being used in our MEDIPP process. The first cycle of the MEDIPP process will be presented to the Administrator in March and we will be addressing the subject of demography in depth. It shows that not only is the veteran growing older, but he is shifting toward the Sunbelt, particularly into Florida and into the Southwest. Strangely enough, when you go farther west and get into southern California, the expectations are that the shift will be in the opposite direction. The number of veterans in the Northeast is expected to progressively decline in future years.

We also have evidence to show that, contrary to previous expectations, the migrating veterans seem not to include those who are already in the over-age-65 bracket. The migrating veterans are younger and they are better off financially. It is expected that the over-age-65 veteran over the next 10 to 15 years, when he has a need for more direct medical care and has more severe, acute ailments, will still reside in the Northeast and the Midwest in heavy numbers.

OUTPATIENT ALTERNATIVES

Senator GARN. In recent years, how has the VA taken action to increase the use of its outpatient program to help shorten the length of hospital stay?

Mr. WALTERS. Mr. Chairman, there has been significant use. In fact, Dr. Custis and I just met with the geriatric committee which was established by law 2 years ago, and they are going to make a report to us on gerontology and the aging veteran. This subject was discussed at length. We are making sure beneficiaries are getting care in the outpatient area rather than being admitted to a major inpatient facility.

Don, would you like to comment further on that?

Dr. CUSTIS. The only thing I would add, Mr. Chairman, is that we have indeed emphasized ambulatory care. We have urged use of and provided resources to increase the use of outpatient surgery. In addition to our ambulatory care program, other options such as hospital-based home care, psychiatric day care centers, and residential care also have accounted for a decrease in our inpatient hospital census. Simultaneously with that decrease in census, we have seen an increase in our turnover rate, a decrease in length of patient stay, a significant increase in the number of patients treated, and a doubling of our outpatient workload at a time when there has been a significant reduction in the number of hospital beds in the system.

Senator GARN. Has the VA done any surveys at all to determine how many different procedures are suitable for doing on an outpatient basis that are being done on an inpatient basis?

Dr. CUSTIS. We have not done a survey in terms of what has actually been accomplished in implementing the provisions that were contained in a circular on the subject. We can provide the circular for the record. That circular identifies and suggests the types of surgery that can be done on an outpatient basis.

Senator GARN. I would appreciate if you would supply that.

[The information follows:]

VETERANS ADMINISTRATION CIRCULAR 10-83-5

Veterans Administration
Department of Medicine and Surgery
Washington, D. C. 20420

January 13, 1983

TO : Directors, All VA Medical Centers, Medical and Regional Office Centers, and Outpatient Clinics (112/136)

SUBJ: Instructions and Guidelines for Performance of Ambulatory Surgery

1. The purpose of this circular is to provide instructions and guidelines for the performance of ambulatory surgery. This does not pertain to dental surgery.

2. In today's atmosphere of decreasing resources and concomitant increase in surgical workload within the Veterans Administration, Department of Medicine and Surgery, it becomes imperative that patient care be provided in the most economical manner without reduction of high professional standards. One such method is to reserve hospital beds for those patients who require inpatient care while diagnostic and minor surgical procedures are performed on an outpatient basis. Minor surgical procedures usually can be accomplished under local or topical anesthesia in appropriately equipped and staffed minor surgery operating rooms, thus precluding overnight admissions.

3. The following guidelines are published as standards for ambulatory surgery in institutions now offering such care or planning it for the future:

a. Ambulatory surgery refers to surgical procedures of a minor nature which can and should be done on an outpatient basis, when doing so involves no added risk to the patient. The procedures may be definitive or diagnostic. Examples of such procedures are:

(1) Excision of cutaneous and subcutaneous lesions.

(2) Suture of simple lacerations and minor plastic procedures, such as simple small skin grafts or movement of small skin flaps.

(3) Excisional biopsies (with exception of such lesions as parotid tumors).

(4) Incision and drainage of simple abscesses.

(5) Simple foreign-body surgery.

(6) Simple ophthalmological procedures as surgery for a chalazion or pterygium.

(7) Circumcisions.

(8) Myringotomies and nasal polypectomies.

(9) D&C's and other minor gynecologic biopsy procedures.

(10) Diagnostic procedures such as laryngoscopies, bronchoscopies, sigmoidoscopies, thoracenteses, and paracenteces.

(11) Nerve blocks for control of pain.

(12) Application of casts.

(13) Reduction of uncomplicated dislocations and fractures.

(14) Joint aspirations and arthrography.

(15) Soft tissue injections.

(16) Insertion or removal of traction and fixation pins.

b. Ambulatory surgery should be performed in adequately equipped minor surgery operating rooms located in the outpatient area; within the operating room or adjacent thereto. If there is no alternative to performing ambulatory surgery in major operating rooms, the operations should not interfere with or supplant the capability of using the rooms for major surgery for which they were designed. The room in which minor surgery is to be performed should be approximately 250-300 square feet, equipped with operating table, suction, suitable light, cabinets, scrub sink, and be so constructed that it may be thoroughly and adequately cleaned. Emergency equipment and drugs should be available. There should be adequate space for storage, an adjacent waiting area, an area to change clothes, and recovery area. All instruments and supplies used in the Outpatient Section will be of the same high quality as those used throughout the facility with instrument trays designed for the procedure scheduled. Appropriate conveyances such as wheelchairs and stretchers must be readily available. Sterile techniques should be practiced at all times and standard procedures such as skin preparation, proper gowns, gloves, and drapes should be used. Proper records of procedures will be kept in accordance with good practice and JCAH standards (see paragraph 3e). While all ambulatory surgery should be scheduled through the Centralized Scheduling Unit, this would not preclude the performance of procedures on patients when first seen either by reason of the emergent nature of the procedure or for the convenience of the patient or institution.

c. Minor procedures performed on ambulatory patients should be done under local or topical anesthesia. General anesthesia should not be used on outpatients. Patients who require general or complicated regional anesthesia should be hospitalized. Emergency drugs, resuscitative equipment, and normal safeguards to prevent or treat untoward reactions to anesthetic agents are required to be kept in the immediate area.

d. Ambulatory surgery will be performed only by qualified personnel as determined by the Chief of Surgery or other specialty under whose responsibility any procedure might fall. Qualified assistance to the surgeon including a circulator and scrubbed assistant will be provided when indicated. Supervision of personnel under training must be adequate to the individual circumstances. In accordance with JCAH Standards, those personnel qualified to perform surgery will be documented by name and be appropriately credentialed.

e. Documentation of informed consent is mandatory. Signed consent for performance of the operation must be obtained from the patient or the patient's representative. Adequate description and documentation of the procedure must be recorded in the patient's medical record, and an operation report completed. All specimens must be sent to the laboratory for appropriate examinations. Followup instructions and/or medications will be given to the patients before they leave the hospital.

f. Ambulatory surgery must be confined to a disability, disease or defect susceptible to cure or decided improvement. Treatment cannot encompass such things as cosmetic surgery, sterilization or other procedures when they are not medically required to correct a disability, disease or defect.

g. Prior to scheduling or carrying out a procedure, a veteran's legal eligibility must be determined by Medical Administration Service. Ambulatory Surgery is an outpatient service and the provisions of DM&S Manual M-1, Part I, Chapter 17 apply with respect to eligibility and priority considerations.

h. References:
- (1) M-2, Part I, Chapter 7.
- (2) M-2, Part XIV, Chapter 1.
- (3) Accreditation Manual for Hospitals, JCAH
- (4) M-1, Part I, Chapters 5 and 17
- (5) M-2, Part I, Chapter 23

W. J. JACOBY, JR., M.D.
Deputy Chief Medical Director

REVALIDATION OF CONSTRUCTION PROJECTS

Senator GARN. Last year the VA established a task force to revalidate VA construction projects. What criteria were used in the revalidation process?

Mr. WALTERS. I am going to ask the Director of the construction program to answer that in detail, Mr. Chairman.

I would like to share my thoughts on the revalidation. In general, under the revalidation process not much actually ended up being changed. What it did was revalidate the continuing need for change in the VA structure to accommodate demographics and to accommodate the aging veteran as he gets older. I am not so sure revalidation was as accurate as it might have been. If we had to do it over again, we might rename it. But I would ask the head of the construction program to address this.

Mr. SULLIVAN. Mr. Chairman, we had a number of teams that went out and looked at the projects and we asked them to look at the latest demographic data.

Senator GARN. Could I interrupt and ask you about the composition of those teams?

Mr. SULLIVAN. Yes, there were six teams, one for each region. There were three individuals on each team. Each team had one member from the Department of Medicine and Surgery, one from the Office of Construction, and one from the Office of Budget and Finance. We asked them to look at the need, the justification, the workload data, and the scope of the project.

The teams were also instructed to review the schedules for the projects and make sure there wasn't any other conflicting construction project going on at the facility. We would be pleased to provide a detailed list of memos that we provided to the teams, if you want it, for the record.

Senator GARN. I would appreciate it if you could supply that information.

[The information follows:]

REVALIDATION CRITERIA

WHAT CRITERIA WERE USED TO REVIEW THE POTENTIAL FY 1984 CONSTRUCTION PROJECTS?

Each Revalidation Team was provided the general instruction to comprehensively review each project assigned to it using the latest and best planning and demographic information available. The emphasis of revalidation was to review the need, justification, workload data, and scope of the projects potentially eligible for FY 1984 budget consideration.

The teams were also provided with guidance on the revalidation procedures to be followed. These procedures are attached.

SUMMARY OF PROCEDURES

- o Review bed and workload data based on latest MEDIPP information.
- o Review schedule to see if project will be ready for FY 1984.
- o Review deficiencies and space planning criteria.
- o Review data package (workloads, staffing standards, basic project scope).
- o Review coordination with other construction at VAMC.
- o Review available design data.
- o Review backfill plans.
- o Check mission of VAMC with DM&S.

Veterans
Administration

Memorandum

To: FPAC Steering Committee

Date: February 26, 1982

Subj: FY '84 Construction Revalidation Format

1. This memo sets forth the format for validating FY 1984 construction projects. As you know, our goal is to revalidate all projects potentially available for inclusion in the FY 1984 budget in advance of formulation of the FY 1984 construction budget. The results of the revalidation process will determine those projects which may be included for FY 1984 funding.

2. The attached list details those projects currently scheduled to have both their preliminary design and cost estimate completed by October 1982 and hence, those available for inclusion in the FY 1984 budget. While there may be some revision in this list based on unforeseen problems, this list provides the best estimate at this time of those potential FY 1984 projects which must be revalidated.

3. The revalidation of these projects will entail a three-step process.

4. First, each project will be reviewed by one of six Central Office teams composed of representatives from:

--- The Department of Medicine and Surgery

--- The Office of Construction

--- Budget and Finance

It will be up to the head of each of these organizations to select his office's team representative(s). A team leader for each team will subsequently be appointed by the Facility Planning and Construction Committee. In addition to these team members, support will be provided to the teams as needed from other Department and Staff Office sources. For instance, the Office of Reports and Statistics and the Office of Program Analysis & Development (DM&S) will assist the team in validating workload requirements. It is expected that for each project, the team will contact the affected DM&S Regional Director and VAMC and request verbal verification of the information used to justify the project's need, scope, staffing and space requirements.

The Central Office team will also ask DM&S for a current description of each facility's mission statement. In addition, each affected VAMC will be asked to update and send to Central Office the station space survey and the available current marked up "as built" drawings that apply to the particular project being reviewed.

5. Second, based on the Central Office review, those projects which are determined as requiring closer review will be scheduled for an onsite examination by the Central Office team. In addition, each team will decide whether or not the Regional Director and/or the project's A/E should be present during this onsite examination. The initial onsite review will look more closely at each project justification based on the updated space survey sent to Central Office, assess the VAMC's physical and functional needs which relate to the project, and evaluate any special circumstances at the VAMC which might impact on the identified project need. A uniform agenda for this onsite inspection will be evolved.

6. Third, based on the results of the two preceeding reviews, selected projects may require a more in-depth onsite investigation of longer duration similar to a full-scale project audit.

7. While the revalidation process can ascertain if a project's need and scope are justified, it is obvious that without policy guidance, this process can only provide perspective on a project by project basis and cannot evaluate the priority of these projects on a systemwide basis. DM&S and the Office of Reports and Statistics are currently working on an update of the 1978 Guidance for presentation to the Administrator by the end of March, 1982. As soon as possible, the Administrator's subsequent policy decisions that pertain to medical programs and construction priorties will be incorporated into the FY 1984 revalidation process.

This guidance was not available because it was determined that the MEDIPP process should be completed first.

Bill

WILLIAM F. SULLIVAN
Associate Deputy Administrator
for Logistics (005)

Attachment

Veterans
Administration

Memorandum

Date March 17, 1982

To FPAC Revalidation
Steering Committee
and FY 84 Revalidation
Team Members

SUBJ: Revalidation Procedures
for Central Office Review
of FY 84 Major Construction
Projects

1. A Central Office review of the projects on the FY 84 revalidation list is the first step in the revalidation process. Only those projects on the list which entail direct patient safety such as electrical deficiency corrections, fire and safety improvements, and seismic strengthening will be excluded from the revalidation process. The Office of Construction is reviewing these projects separately and will provide justification as to their life/safety necessity.

2. For each project assigned to it, each revalidation team shall review the project against a checklist of basic revalidation requirements. If deemed appropriate to a particular project, each team should evolve additional revalidation criteria as necessary.

3. The basic revalidation requirements for all Central Office FY 1984 reviews shall include the following:

a. A review of the project development schedule to determine if the project can realistically be expected to be ready for FY 1984 construction funding consideration. If full team consensus and concurrence by the Chief Medical Director are reached that a project absolutely will not be ready for consideration in the FY 1984 budget, no further revalidation should be done on that project and a brief report written as to why the project will not be ready for FY 1984 budget consideration;

b. A review of the veteran demographic data used to justify bed and workload projections, as appropriate;

c. A review and revalidation of the data package used by the Office of Construction for project development which DM&S will provide for each project on the revalidation list. Revalidation of this data package shall include bed projections, workload projections, staffing, space and functional deficiencies, and project scope. It is expected that for each project, the team will contact the affected VAMC to request verbal or written verification of the data package as well as determine the priority the VAMC places on the project. The team also shall contact the affected DM&S Regional Director to seek his or her professional opinion on the project need;

d. A review of the project's space requirements to determine consistency with H-08-9 (or other guidelines) and the data package;

e. A review of the statement of task given the A/E or the project authorization (for in-house) that was used to guide the development of requirements, technical assessment, concepts, and preliminary drawings;

f. A request of the VAMC to provide the team with the current station space survey and marked-up "as built" drawings (to include, if possible, current and imminent construction) as applicable to the project being revalidated. The team will use these space surveys and "as built" drawings to assist in verifying space and functional deficiencies;

g. A review of the concepts or preliminaries if available, and associated cost information to ensure consistency with the data package and scope and to determine responsiveness to identified space, functional or technical deficiencies;

h. A review of the project submission and cost limit notification (if available) for each project; and

i. A review of the proposed project in the context of the facility's five-year construction plan to ensure proper coordination with future planned projects. This review also should include an assessment of the coordination of the project with minor construction/minor miscellaneous and NRM projects scheduled by the station.

4. As part of the revalidation process, each team also should review each project from the broader perspective of:

-- the VAMC's mission (does DM&S still feel that the project is applicable to the VAMC's mission? Are changes in the VAMC's mission indicated by VAMC officials, the Regional Director or in the Five-Year Facility Plan?) It is important that as the teams focus on the applicability of projects to mission accomplishment, they focus to the extent possible on future mission. As projected VAMC mission statements are not yet available through MEDIPP, the teams should seek guidance from the Department of Medicine and Surgery;

-- the impact on outyear VAMC operating costs (e.g., will the project add or reduce operating cost and staffing needs);

-- the age of the VAMC facility area for which the project is scheduled (e.g., is the area scheduled for additional construction one in which recent replacement or extensive renovation work has been performed. If so, why is this additional major construction needed?);

-- the applicability of the space criteria and construction standards used to the particular VAMC's needs and mission (e.g., space planned vs. unassigned space, if any, at the VAMC). Also, does the team have any general concerns that the project, as planned, includes construction requirements in excess of project need or entails questionable building costs?;

-- if the project will result in vacating existing VAMC space, what does the VAMC plan to backfill in that area;

-- the availability of state or community health resources which, in keeping with eligibility, policy, and law, impact on the need for the project; and

-- common sense concerns which team members might have with respect to a particular project. (Most team members will have a Regional or Medical District perspective and the project need should be evaluated in that context as well.)

Bill

WILLIAM F. SULLIVAN
Associate Deputy Administrator
for Logistics (005)

Veterans
Administration

Memorandum

Date: March 17, 1982

To: FPAC Revalidation
Steering Committee
and FY 84 Revalidation
Team Members

SUBJ: FY 1984 Construction
Revalidation Format

THREE-STEP REVALIDATION FORMAT

1. My memo to you of February 26, 1982, (copy attached) set forth a three-step format for the Administrator's construction program review to revalidate projects potentially eligible for consideration for FY 1984 Construction, Major funding.

2. The three-step revalidation format for each project entails a Central Office review, an onsite visit if closer review is determined necessary, and based on the results of the two preceding reviews, selected projects may require a more in-depth onsite investigation of longer duration similar to a full-scale project audit. If it is determined that a project will require a full-scale audit, it is possible that the project may not be ready for FY 1984 budget consideration. Should this be the case, the revalidation team (see 4.) should complete work on other higher priority projects prior to conducting a lengthy, onsite audit of a project which clearly will not be ready for the FY 1984 budget.

LIST OF FY 1984 REVALIDATION PROJECTS

3. Attached is a list of those major construction projects currently scheduled to have both their preliminary design and cost target completed by October 1982 and hence, those available for possible inclusion in the FY 1984 budget. While there may be some revision in this list based on unforeseen problems, this list provides the best estimate at this time of those potential FY 1984 projects which must be revalidated.

REVALIDATION TEAMS

4. Potential FY 1984 projects will be divided into six (6) groups by Region and assigned to one of six (6) revalidation teams. As some teams have more projects to revalidate than others, it is recognized that such teams may need additional staff.

5. Each of the six revalidation teams is composed of representatives selected by the head of each of the following Departments or Staff offices:

- o The Department of Medicine & Surgery
- o The Office of Construction
- o The Office of Budget & Finance

6. While team membership may vary or be expanded depending on the particular project or project aspect being revalidated, the following lists the core membership for each of the six revalidation teams:

TEAM I - MEDICAL DISTRICT 1 (NORTHEASTERN)

Tom Breedlove	(10A4B)	x 5361-5362
Albert L. Reese	(086A)	x 3581
James I. Gracyalny	(041B2)	x 3476-3979

TEAM II - MEDICAL DISTRICT 2 (MID-ATLANTIC)

Burton L. Ziskind	(10A4B2)	x 5361
Edward P. (Ted) Demarest	(086B)	x 3581
Michael L. Young	(041C2)	x 3709-3476

TEAM III - MEDICAL DISTRICT 3 (SOUTHEASTERN)

Larry A. Wallace	(10A4B3)	x 5363
William B. (Brooks) Martin	(086C)	x 3823
Jerry A. Unklesbee	(041C2)	x 3709-3476

TEAM IV - MEDICAL DISTRICT 4 (GREAT LAKES)

James H. Korjus	(10A4B4)	x 5363
Leo E. Estrella	((086D)	x 2775
Pamela J. Rinehart-Ganous	(041C2)	x 3709-3476

TEAM V - MEDICAL DISTRICT 5 (MID-WESTERN)

Henry A. Garbelman	(10A4B6)	x 5026
J. R. (Russ) Daughtry	(086E)	x 2823
Edgar C. (Tony) Peoples	(041C)	x 2370-3418

TEAM VI - MEDICAL DISTRICT 6 (WESTERN)

Steven Kleinglass	(10A4B1	x 5361-5362
William O. Walker ~~Bruce A. Plocinski~~	(096) ~~(086F)~~	x ~~3681~~ 2823
Clarence E. Meade	(041A)	x 3464-3839

7. In addition to these team members, support will be provided to each team as needed from Departments and Staff Offices. For instance, the Office of Program Analysis and Development (DM&S) and the Office of Reports and Statistics will provide staff support to each team to validate workload requirements. The Office of Construction will provide Health Care Facilities Specialists, architects, engineers, and estimators to each team, as needed, to assist the team's revalidation effort.

TEAM LEADERS

8. The team leader for each team will be appointed by the Facility Planning and Construction Committee.

9. Each team will determine the schedule for revalidation of the project assigned to that team and the order of priority in which each project will be revalidated. The team leader will be responsible for reaching team consensus on the revalidation schedule for his or her team and ensuring that the schedule is followed.

10. The team leader will also be responsible for reaching team consensus, if possible, and justifying the team's decision on whether each project reviewed in the Central Office revalidation phase

(a) either needs no further revalidation and is justified as scoped for possible FY 84 funding; or

(b) needs to be further inspected onsite at the second stage of the revalidation process.

REVALIDATION STEERING COMMITTEE

11. The following members of the Facility Planning and Construction Committee (FPACC) will serve as the steering committee for the FY 84 project revalidation process including both the Central Office revalidation and the onsite revalidation review:

- Mr. Charles T. Hagel, Deputy Administrator (001)
- Mr. William F. Sullivan, Associate Deputy Administrator for Logistics (005)
- Mr. O. Fielding Cochran, Associate Deputy Administrator for Congressional & Public Affairs (002)
- Dr. Donald L. Custis, Chief Medical Director (10)
- Mr. William A. Salmond, Assistant Deputy Administrator for Construction (08)
- Mr. Conrad R. Hoffman, Assistant Deputy Administrator for Budget & Finance (04)
- Mr. John P. Murphy, General Counsel (02)

ex officio

- Mr. Joseph Mancias, Jr., Assistant Deputy Administrator for Public & Consumer Affairs (06)
- Mr. Robert W. Schultz, Assistant Deputy Administrator for Reports & Statistics (70)
- Mr. Gregory McGowan, Executive Asst. to Deputy Administrator (001A
- Dr. O. David West, Executive Director of FPACC

12. As the Revalidation Steering Committee, this group will guide the revalidation process, resolve any problems which arise, and review and in consultation with the Administrator (00) make final decisions on the specific project recommendations of each revalidation team.

13. If the Revalidation Steering Committee cannot reach consensus on a specific project recommendation, the project will be forwarded to the Administrator for resolve.

14. The Revalidation Steering Committee will ultimately report to the Administrator (00) on the full results of the revalidation process.

15. For those projects revalidated and found eligible for FY 1984 construction funding consideration, the Chief Medical Director will provide to the Administrator a list of those projects in the order of priority assigned to them by the Department of Medicine and Surgery.

REVALIDATION COORDINATOR

16. The overall coordinator for the FY 1984 revalidation review will be William F. Sullivan, Associate Deputy Administrator for Logistics (005) who will report to the Revalidation Steering Committee.

17. Each team leader shall report to Mr. Sullivan through Dr. David West, Executive Director of FPACC, at least once a week on the progress of his/her team's revalidation review and identify problems which may need resolve by the Revalidation Steering Committee.

18. As each team completes the Central Office revalidation review of a particular project, the team leader shall report to the Associate Deputy Administrator for Logistics through Dr. West the recommendations of the team on that particular project for forwarding to the Steering Committee.

WRITTEN REPORTS

19. Each team will be responsible for producing a written final report for each of the projects it revalidates.

20. This report will detail the results of the team's revalidation for each project, including the team's recommendations on the project and the team's justification for these recommendations. The report will also contain any dissenting views by team members.

21. A basic format for the written reports will be provided to each team.

22. If a team decides that a project is fully validated at the completion of the Central Office review stage and that the project does not require further onsite inspection, the team will issue a final report on that project as soon after Central Office review as possible and submit it to the FPAC Steering Committee. This report will include the team's justification for determining that a further onsite investigation is not needed.

23. Brief interim reports will be issued for those projects which the teams determine will require onsite visit. These reports will be issued at the conclusion of the Central Office review and briefly state the team's initial findings and explain the need for the further onsite examination. These reports also will be submitted to the FPAC Revalidation Steering Committee.

SCHEDULE

24. The revalidation results for all potential FY 1984 projects are to be completed in time for review and decision on the Agency's FY 1984 budget request. To accomplish this goal, the Central Office project reviews should be completed by April 30. Onsite reviews will take place in May and June and final reports written for each project and submitted to the FPAC Revalidation Steering Committee. In July and August the Steering Committee will review the team reports and based on this review, finalize FY 1984 Major Construction budget recommendations to the Administrator.

25. Team leaders experiencing problems in meeting this revalidation schedule will immediately report such problems to the Executive Director of FPACC.

Bill

WILLIAM F. SULLIVAN
Associate Deputy Administrator
for Logistics (005)

Veterans
Administration

Memorandum

To: Revalidation Team Members

Date: April 6, 1982

Subj: Use of Current Models and Methodologies and New Criteria in the FY 84 Revalidation Process

1. This memo reiterates and emphasizes that your revalidation work on potential FY 84 projects is to be based on the most current data, models, and methodologies available to the Agency.

2. For your reference, the following reflects recent refinements in or new criteria available to the Agency's planning and construction program. Please ensure that your revalidation reflects these current improvements to the extent possible given the stage of design of each project being revalidated.

- ELECTRICAL SYSTEMS DESIGN CRITERIA

New design criteria for the sizing of electrical facilities at VA facilities has just been finalized by the Office of Construction which will reduce the incorporation of costly and inefficient unused electrical capacity. This new criteria is ready for immediate application.

- NURSING HOME CARE DESIGN CRITERIA

The Nursing Home Care Cost Reduction Task Force has recently implemented cost reduction elements which will result in an estimated cost savings on a 120-bed NHCU of $1.5 million. Wherever possible, these cost reduction features should be incorporated into potential FY 84 NHCU projects.

- MORE ACCURATE WORKLOAD PROJECTION MODELS

In the last few years, Agency planners have developed more sophisticated workload projection models which should be used by the Revalidation Teams. Examples are as follows:

-- VA/GAO HOSPITAL BED SIZING MODEL

This model, implemented in 1980, has been made sensitive to the changing age mix and veteran migration patterns. The acute bed sizing portion of this model also is now linked to community hospital length of stay statistics and the results of the Multi-Level Care Surveys have been incorporated into the model. Further, each team is advised that on May 20, 1982, an estimate based on an 8% sample of the 1980 census will be available that DM&S plans to incorporate in the VA/GAO model which might result in more accurate projections.

-- OUTPATIENT PROJECTION MODEL

This model was improved in late 1979 to be more sensitive to veteran population and age distribution.

-- NURSING HOME AND DOMICILIARY BED REQUIREMENTS MODELS

DM&S has recently updated and refined its NHC bed model and developed a new model for determining dom bed needs. Implementation of these models is dependent on the Administrator's guidance. At the request of Budget Service, DM&S will also provide Revalidation Teams information on the availability of VA-supported State Homes for those states in which NHC projects are being revalidated as well as data on VA use of these State Homes. (DM&S refinements to NHCU and DOM program have not yet been finalized and, hence, were not available for the Revalidation Team members. All DOM projects on the FY '84 review list were deferred until DM&S could complete its review of the DOM program mission

o NEW DEMOGRAPHIC DATA BASES

Revalidation Teams have available to them new demographic inputs which provide a check on the accuracy of Agency projections based on 1970 census data. For example, the new MEDIPP Baseline Submissions, submitted by the Medical Districts in January 1982, provide up-to-date hospital specific data on each facility's programs, deficiencies, and veteran demand and demography for the VAMC area. DM&S also will be generating new county specific data based on the first sample of the 1980 veteran census data which will be provided to the VA in the near future.

o STAFFING STANDARDS

In 1981, the CMD established a Staffing Standards Task Force and instituted the Management Systems Service (131) in DM&S to establish staffing standards for each medical program area. Revalidation Teams should request assistance from the Assistant Chief Medical Director for Administration for revalidation of staffing standards based on the work of the task force. Also, the Teams could review a recently completed facility for a comparison between staffing projected during the planning phase and actual staffing currently on the payroll.

o REVISIONS IN SPACE PLANNING CRITERIA

In the last three years (1979 - 1981), there have been 22 revisions approved by the Administrator in the VA's space planning criteria in 22 different functional areas. Projects being revalidated should reflect this new space planning criteria as appropriate. Areas affected include SPD, Nursing Home Care, ICU, Dietetics, Education, Cardiology Labs., etc.

o VAMC MISSION STATEMENTS

While the future mission statements for VAMCs are not yet available through the MEDIPP process, Revalidation Teams should seek guidance from DM&S on whether any changes are expected in a VAMC's future mission which would impact on the project being revalidated.

o ADMINISTRATOR'S GUIDANCE

An update of the 1978 Guidance is being prepared for the Administrator. Based on this updated policy options report, the Administrator will issue policy guidance which will be provided to the Revalidation Teams as soon as it is finalized. Included in the guidance will be new policies for the VA's domiciliary and nursing home care programs.

were not
available.
Postponed
because of
MCDIPP

Bill

WILLIAM F. SULLIVAN
Associate Deputy Administrator
for Logistics and Vice Chairman
for FPACC

Cost Reduction Items for Immediate Implementation

Nursing Care Homes

1. Omit provisions for vertical expansion. Provide capability only when specifically justified.

2. Adopt Modular Design Concept for Nursing Wings.

   (a) Eliminate 4-bed patient rooms.
   (b) Use 7'-0" length patient beds.
   (c) Reduce single patient room by 10 NSF.

3. Use the least expensive structural system compatible with the configuration of the building and the site. Consider wall bearing with roof joists.

4. Toilets and bathrooms.

   (a) Eliminate all showers and tubs in all private or shared bathrooms, connected to bedrooms.
   (b) Eliminate urinal in congregate bath.
   (c) Provide two full bathrooms per 60-bed unit to contain a tub, lavatory, and water closet in lieu of any bathrooms connected to a bedroom. Retain the congregate bathing facilites.
   (d) Configure bed structure for 60 beds with: six single bedrooms; two singles with private toilet; and four singles with shared toilets for each pair of rooms; and with 27 two-bed rooms, 26 will have a shared toilet for each pair of rooms; one will have a private toilet.

5. Reduce dining room space by 35%. Meals will be served in two sittings rather than one.

6. Reduce recreation room space by 35%. The recreation and dining areas will be adjacent so that the dining room may be used for recreational activities when meals are not being served.

7. In lieu of male and female toilets in lobby area for visitors, use one unisex with lavatory and water closet. Use similar single unisex toilet for dining room.

8. Reduce social work office from 120 NSF to 100 NSF.

9. Reduce maximum space for rehab/rec therapists from 200 NSF to 150 NSF.

10. Eliminate razor blade receptacles in toilets.

11. Use 3'-8" x 6'-8" doors in lieu of 3'-10" x 7'-0" in patient rooms.

12. Do not design exterior balconies at bedrooms.

13. All ceilings 8'-0" in lieu of 9'-0".

14. When station's trash disposal uses dumpster system, eliminate trash room.

15. Use design discretion to eliminate or reduce skylights.

16. Use design discretion to reduce glass areas.

17. Do not provide revolving doors.

18. Reduce stair landings to 3'-8" deep.

19. Do not provide connecting corridors or tunnels unless specifically justified.

20. Reduce capacity of hot water generator and storage tank consistent with data obtained in past and on-going field testing conducted by Mechanical Engineering Service.

21. Reduce quantity of electrical convenience receptacles in patient rooms.

22. In home-run conduit only, permit six electrical circuits.

23. Reduce electrical, signal, and telephone closet depth to 12".

24. Select least expensive method to obtain reduced lighting levels for appropriate areas.

25. Where an emergency generator is necessary, locate it outside of the building structure.

26. Provide emergency generator only when required by code, seismic or other justifiable need which cannot be satisfied in a less expensive manner.

27. Use 120/208 main distribution voltage in lieu of 277/480.

28. Minimum conduit size will be 1/2" diameter.

29. Omit TV antenna outlets in all patient rooms. TV outlets shall be installed in patients' lounges and recreation rooms. In patient bedrooms, TV's may be plugged into regular electrical outlets, using portable antennae.

30. Use conventional standard lavatory with gooseneck spout and wrist operated faucets for wheelchair access.

31. Delete ceramic tile in drinking fountain alcove. Substitute heavy duty vinyl wall covering instead.

32. Delete requirement for non-skid ceramic/quarry tile in toilets, utility rooms and other areas not subject to standing water and/or grease. Provide non-skid surface in bath/shower areas and food preparation/dishwashing areas.

33. Quiet Rooms:

  (a) Provide one Quiet Room of 180 NSF in a single-level 120-Bed NHCU.
  (b) Provide one Quiet Room of 180 NSF in a multi-level, 120-Bed NHCU on each level.
  (c) Provide one Quiet Room of 180 NSF in a 60-Bed NHCU.

34. Delete drywall protection of roof structure.

35. Reduce landscaping by 50%.

PRIORITY RANKING OF PROJECTS

Senator GARN. Did the revalidation process attempt to assign any national priority ranking to the projects?

Mr. WALTERS. I think it was intended to try to do that, Mr. Chairman, but I think that Dr. Custis' program of decentralized management through the MEDIPP process was not in place in time to impact on the 1984 budget. It will be in place to have an impact on 1985. It is going to give us a better sense of priority and of what is needed in the field. Fortunately or unfortunately, there are other forces that work on the medical construction priority rankings in the VA, something having to do with politics, and we will try to handle that the best we possibly can. I think the MEDIPP process will help us validate what our real needs are, notwithstanding the forces of politics.

Senator GARN. You are being very kind. Most of the priorities have been set by the political process here in the Congress. That is why I have been trying hard to get the VA to set the priorities. We will fight the battles up here to keep as close to what is actually validated, on the basis of facts and figures and logic. We will try to eliminate politics. But you are very kind. That has been one of my problems with the VA. In many cases it has built medical facilities on the basis of politics and the VA recommendations have been ignored.

Mr. WALTERS. I would like to commend Dr. Custis for his MEDIPP process. I think it is going to be a valuable tool for me and for you in determining needs.

ACTIVATION OF FACILITIES—STAFFING

Senator GARN. Last week you provided the subcommittee a list of VA facilities that were expected to be activated in fiscal year 1984. This list included the number of FTEE's that would be required to staff these facilities. Although many of these facilities represent renovations, remodelings, and improvements, in not 1 case out of the 44 activations do you show a decrease in FTEE. In fact, in total you show an increase of about 2,000 FTEE as a result of these activations. This is the same situation as existed last year. One of the major rationales used by hospital directors and the VA for renovation, improvements, and remodeling is they will increase hospital efficiency.

So, my question should be obvious. How do you account for the fact that we do not have one instance where we are showing a decrease in personnel requirements as a result of these improvements? That is the basis it is normally sold on: we do this and we are more efficient; we reduce personnel and save money.

Mr. WALTERS. I missed the first part of your question. What was it?

Senator GARN. Just simply that hospital directors normally have justified the request for improvements and modernizations on the basis that this would make them more efficient and they would be able to reduce personnel. But in these 44 activations there is not one for which you show a decrease in FTEE. I am simply asking the question, Why, out of 44 activiations, is there not one that showed a decrease in personnel?

Mr. WALTERS. Since I have been on the job only 2 months, I am not aware of how they were sold to the committee. In my visits to VA hospitals—and specifically I will address myself to the nurse-patient ratios in hospitals around the country—I have found that they are far below that of private practice and that nurses are very much overloaded in the VA system. And I would suspect, as a generality, the VA probably manages FTEE very well. As a matter of fact, I am not sure OMB hasn't managed it for them. So, I am taking a very active interest in what the staff-patient ratio in VA hospitals is versus private hospitals. It is an apples and oranges kind of comparison I am told. Yet, I think we need to address what the real needs are.

STAFFING RATIOS

Senator GARN. I would agree. Last year, I asked that any future budget presentations for major and minor construction accounts include a statement with the number of FTEE's that will be saved by each investment and, if no savings were possible, an explanation of why this is the case. I am trying to seek information and be helpful to you, and I am unable to find this information in the budget justification. I would appreciate it if you could supply it for the record. We are willing to accept reasonable explanations on staff-patient ratios. If you can say we did save because of this; or we did not save, and the reason we did not was because of this or we were understaffed, even though we didn't eliminate employees—all we would like is some factual basis as to why you weren't able to save.

Dr. CUSTIS. Mr. Chairman, I think it is a very common mistake, not only in the VA but in the private sector of health care, to justify investment in modern technology by using cost savings in terms of personnel, because it simply hasn't been true. I think it is generally conceded that one of the reasons for the escalating cost of health care in this country has been technology and the increase in manpower needs that technology brings. Witness the crowded operating room, for example, for open-heart surgery compared to what was required 30 years ago in the way of an average operating room staff.

However, we have indeed in this budget identified some program cutbacks that have brought about some reduction of personnel. I think Mr. Travers has that at his fingertips and can give it to us as rapidly as anybody. The increase is net FTEE's. There have been some FTEE reductions.

Mr. TRAVERS. Mr. Chairman, you will find that most of the increases relate to clinical improvements involving increased workload activity. We have reduced employment by virtue of improvements in some of the administrative services and we have made some manpower savings in our supply activities. However, most of the activations we have planned include employment necessary to provide additional services, treat additional patients, and maintain sophisticated equipment and building service systems.

Senator GARN. I am going to make the point that what I would like is more detailed justifications. In many instances, you can come up and say, "Because of technology, we need this, and it is going to make it more efficient." But let's be honest about it, it is not going to reduce personnel. I am a big boy; I will accept that kind of presentation. That is all I am asking for in future presentations. If you have a case to make, sell it to me.

I will appreciate your candor in saying, "Hey, that isn't the case." So you can just come up and say, "Hey, this is the case, but we had to buy this type of new CAT scanner," or whatever it is, "and we are really giving better care, but it didn't result in a reduced number of personnel." I am willing to accept those sorts of things. In the future be as direct and factual as you can in making your case or whatever you want to recommend to us. We will try to be just as objective and helpful in the return.

EMPLOYMENT VERSUS WORKLOAD LEVELS

Your medical care employment data indicates an 1.1-percent increase in employment in the medical bed sections from fiscal year 1982 and an increase of 3.7 percent in the surgical bed sections. Additionally, the staffing ratios for the surgical beds show the largest increase. At the same time, your workload data for inpatients treated and daily census shows a decrease over this period. How do you account for this apparent imbalance?

Dr. CUSTIS. This, too, is an index, a measure of an increase in intensity of care and an attempt to come closer to more accepted staffing ratios in comparison with the private sector. We are still running a 2.25 to 2.27 hospital ratio compared to a 3.5 to 4 average staffing ratio in a typical 500-bed community hospital. As a matter of fact, some hospitals I know from my experience with the American Hospital Association have ratios as high as 5 to 7.

At the risk of going off somewhat on a tangent, yet I think it is pertinent to your question, Mr. Chairman, we feel confident that by this fall, the fall of 1983, we will have in place for the first time criteria for personnel staffing that is unmatched elsewhere in health care. By the fall of this year, 85 percent of our personnel will have models for staffing guidance. These will not be military type tables of organization, but they will be parameters. They will provide hospital directors guidelines to recognize where they have areas which may be overstaffed or understaffed. We have been promising this for 2 years and now are ready to deliver. I think you will be more satisfied with our staffing distribution this time next year.

Senator GARN. This question makes the point I was trying to make before. When we get your budget up here, obviously the subcommittee staff goes to work on it. They make comparisons to last year and previous years and try to match up with what we foresee are going to be our section 302(b) budget allocations and try to look for ways we can meet these commitments. Obviously, as you go through the budget, the first thing you see are disparities. What I continue to try to ask for of all the agencies that come before this subcommittee, is that their budgets ought to be thorough and as detailed as possible. Sometimes we find there is no justification, but in most every case—and I ask questions of this kind all the time—there is; the agency just didn't bother to present it. I don't know whether a lot of them think that, well, we will just slip on through and we don't have time. But it will be helpful if when you spot those gaps in the future, sit there and think, OK, unless we close those gaps those guys sitting up there on the other side of the table are going to ask a question about the particular issue. If you make improvements, then the question might not even have to be asked. There is no question we need better justifications throughout the whole budget process.

Mr. WALTERS. That is very good guidance, Mr. Chairman, and you can rest assured we will improve it in the future.

GAO CRITICISM OF VA CONSTRUCTION

Senator GARN. In December 1981, GAO issued a report highlighting several problems with the VA's construction program. In particular, GAO notes that the time it takes to complete medical facility construction projects could be reduced by up to 15 months by extending the advanced planning fund to allow VA to contract for final designs while the Congress reviews the projects. While recommending this as a potential cost-savings device, GAO notes that whether this change should be made rests largely on the confidence the subcommittee has in VA's ability to identify and prioritize its construction requirements. I certainly would agree with that latter assessment.

Last year, I asked you to study the potential impact of such a change in design funding and report back to the committee on your findings. What are your conclusions?

Mr. WALTERS. William Salmond, Assistant Administrator for Construction, is going to answer that question.

Mr. SALMOND. We have opened up discussions with the OMB and we have started to prepare some procedures in-house as to how this can work. That is about as far as we have gotten, sir, but we do plan to proceed along this line to establish a design fund. Such a fund would permit the agency to proceed with projects so that they don't gather dust and have a 15-month delay while we are going through the budget procedure.

Senator GARN. Also, in their review GAO found the VA frequently changes the scope of design and construction contracts. For example, the 10 architectural/engineering contracts reviewed by GAO had a total of 198 changes which increased the costs of these projects by 18.8 percent. They further found that design completions slipped on 9 of these contracts, averaging 9.6 months per contract, and that 1,847 changes were made in 11 construction contracts.

Last year I also asked you to please report back to this committee by February 1, 1983, as to what measures you intended to implement to reduce the number of change orders and, consequently, the cost growth of these construction projects.

Mr. SALMOND. For those 10 projects there were 11 contracts, there was 1 project with 2 contracts—namely, for Los Angeles—which tends to skew the figures. There were two changes in particular, one which took some work that was to be done in the second contract and advanced it into the first contract. This actually saved the Government money by getting the work done ahead of time, but it then gets included as a change order to the first contract. A change order in the second contract was that the VA made a conscious decision not to put the psychiatric beds into the new building, but rather to maintain them at the Brentwood Division. Therefore, changes were made to those psychiatric bed sections in the new building to house other functions. It was about a $1.5 million change order. Again, this tends to skew the information.

Following the General Accounting Office report, we made a comprehensive study of our own which GAO has also received. GAO has confirmed that our overall change order ratio is only about 3.3 percent, which is well within what we consider, and other contracting agencies consider, good management.

Senator GARN. I still have not received the report I asked be completed by February 1, 1983. Do you have it available?

Mr. SALMOND. Yes, we can send it up to you.

Senator GARN. We would appreciate if you would submit it for the record.

Mr. WALTERS. We will send it up to you right away.

[CLERK'S NOTE.—The committee kept the record open for 5 weeks after the hearing. While the VA stated that they would submit the report, the agency failed to do so during that time period.]

VAMC SALT LAKE CITY—CONSTRUCTION CHANGES

Senator GARN. Mr. Walters, when we met before, I asked you to look into the recently completed clinical and ambulatory care addition at the VA's Salt Lake City Hospital. Your letter of March 8 to me lists a series of change orders that were made in the addition during construction. They include: Areas intentionally left unfinished, demolition of newly constructed items, functional layout changes to surgical suites, moving the patient/medical library, and modifications to accommodate the phone and computer systems. There were also additional modifications as well that I did not list here. I am very concerned about this, as I talked to you in my office, because we both agreed one of the big problems of the VA in getting adequate funding to serve veterans is image. The more I learn about one of my own home State's facilities, I realize that these are the types of things that hurt the image of the VA and make it difficult not to have guilt by association on other projects.

Do you have an explanation for these numerous changes?

Mr. WALTERS. There are some explanations which Dr. Custis will address in just a moment. But I wanted to tell you that in the examination of this area, my curiosity was piqued as to what kind of checks and balances we have in our entire construction system in order to accommodate or prevent modification of something that has just been built, and Dr. Custis will address that in just a moment. But just to assure myself and Dr. Custis, I have instructed the Inspector General to do a study of the Salt Lake City Hospital to determine what indeed did happen there and to see how we can prevent this from happening in the future. That report is in the process of being done now. The Inspector General is going to go out to Salt Lake City, work with Dr. Custis, and prepare a report in the very near future. As soon as that report is available, we will be sending it to you.

CONSTRUCTION CHANGE ORDERS

Senator GARN. Dr. Custis, before you reply, specifically, the thing that disturbs me is I used to be a mayor. I know that change orders exist and that sometimes when you get into the design and the construction stages you find that what looked good on paper does not suit the needs. That happens a lot with homebuilders. They look at the beautiful plan with an architect, and once they get underway somebody says, "Gee, that doesn't look right; I want it changed." I understand all of that process and know there are going to be a certain number of change orders in any building you construct. I have never seen a perfect building go ahead and have the architect and engineer put it together and build it just like an erector set following the instructions.

The thing that disturbs me about the Salt Lake City hospital is going back to the contractor and requiring a large number of change orders, requiring him to come back and complete them, and then almost immediately, from my information, tearing down much of what had been built.

Now, if the design was so bad, or it wasn't a matter of bad design, but simply they changed their minds out there and they wanted the operating suites different and all that, it is difficult for me to comprehend why they would go ahead and finish the whole thing and then tear down parts of the wings and do it over again. It would seem logical that if they didn't like the way the building was progressing, that they would have stopped before the building was completed and it was necessary to have the change orders. I built a whole water department, completely new office buildings, new shops, a new health department building, all sorts of things that were very complicated and detailed. While change orders did occur, and sometimes they are embarrassing and we would say, "How could we have been so stupid, we should have thought of that," but we went ahead and did it and swallowed it. I just don't understand going ahead and building when they knew something was wrong. In my water department shops, if we discovered problems, we would have stopped and changed the structure of the building. I can't imagine finishing the project, signing off on it, and then starting over again.

VAMC SALT LAKE CITY—PROGRAM CHANGES

Dr. CUSTIS. Mr. Chairman, I think every one of us will concede that you have a genuine cause for concern when you look at the Salt Lake City facility. What I have to offer comes from a retrospective view.

I would hope that with the tightening up of the methodology for change order approvals, nothing quite as glaring as this is apt to happen again.

On the other side of the ledger, I think one has to put this in the context of what happened in Salt Lake City in terms of new demands and intensification of affiliation programs.

In the middle seventies, we intensified our affiliation. In fact, from 1970 to the present time, the hospital staff has grown by 100 percent. In the late seventies we installed a regional medical education center and added open-heart surgery and hemodialysis programs.

The director is Bob Lindsey, a very capable man. I don't know whether you have had an opportunity to see much of him. He is an engineer and was the Department of Medicine and Surgery's chief honcho for our role in construction. Planning for this project was under his aegis when he got there and these changes were strongly recommended by him. I think it is too bad that a recently completed project was torn up to accommodate some of these changes, but the reasons for this seemed to be strong enough to justify the revisions.

Senator GARN. At what point did he get involved in the project? Was there no determination that these additional major changes were going to be made before we finished up and required the contractor to come in and do all the change orders to complete it?

Dr. Custis. I am told that these new programs were not anticipated at the time the $22 million clinical and ambulatory care addition was designed.

Senator Garn. The information I get—and the reason I am not prejudging it is because it comes secondhand. The hospital just happens to be in the State of the chairman of the HUD Appropriations Subcommittee and as former mayor of the city, I have a lot of people that talk to me out there. I know a lot of them after 15 years of representing the city and State. Stories get out of line in the telling and they grow. My information is that it was known that they were going to tear down the additions while they were still finishing the project. I hope we can determine whether the information I am getting is correct. I certainly hope that this information is correct.

Dr. Custis. I think this is something that the Inspector General will be addressing. I don't offer it as an excuse, but it is a fact that there are very few people remaining in the central office who had responsibility for construction planning in the middle seventies. It was another staff's watch. It is not going to be easy for us to answer the Inspector General's questions because people with firsthand knowledge of the situation are no longer in the central office. I am sure Bob Lindsey will be very helpful in providing the answers.

Senator Garn. I say again, it seems this one is really rather gross, taking into consideration human frailties and mistakes that we all get involved in. The attitude is that the Feds can afford to do that, but a private hospital certainly couldn't afford the luxury of tearing something down they had just completed and then build it all over and modify it and try to squeeze something in here or there. It gets back to what Mr. Walters and I were talking about. This doesn't do the VA much as far as polishing their image in the Salt Lake City area. We are going to have to know whether this is an isolated thing that has taken place. So I would hope that we could have a complete report for the subcommittee on the rationale for each of the design changes that were made, including the cost of each of those changes.

I would also appreciate receiving a report, including recommended changes to your construction and control system, by April 10, if possible. Because of my concern that this may not be an isolated case, I have asked the GAO also to review the case. I would appreciate your complete cooperation with the GAO in conducting their study.

I am not trying to assess blame; I am trying to defend and help the VA. Budgets are tight and agencies are under increasing pressures to do a better job with less money. These are the types of things that make it very difficult to justify budgets, particularly in the construction of new hospitals. So, I hope you don't think I am trying to get anybody or embarrass anybody. I am trying to be helpful in correcting what appears to be a problem, and I hope it is isolated and we have just one big goof in Salt Lake. I would suggest from what I said a few minutes ago that certainly I would not accuse anybody of being stupid enough to do it deliberately in the home city of the chairman of the Appropriations subcommittee. I have to assume it comes in some different form than somebody deliberately trying to waste the taxpayers' money.

VAMC SALT LAKE CITY—CONSTRUCTION FUNDS

Dr. CUSTIS. Mr. Chairman, we are prepared today to furnish for the record just exactly what these changes were and their cost. The original addition was a $22 million project. The construction award for this project was $21,433,000. The actual cost of construction was $20,976,557. The difference is a net credit of $456,443. Additional minor construction of $701,438 incident to a prior Administrator's scope change has been approved and funded. Subsequent approved and funded construction costing $633,000 for work in and around building 14 is planned. Another $658,000 of pending construction has been requested and tentatively approved but is unfunded. An additional $2.1 million of pending hospital requests for project completion items has been identified but has not been requested, approved, or funded.

Senator GARN. Well, now how do these figures fit with the information I have which indicates that there was a lot more money involved? I can't imagine that the change orders could have amounted to the estimates you have given me.

Mr. WALTERS. Mr. Chairman, hope still springs eternal in my heart that perhaps there are valid reasons for the changes. I just don't know. That is why I have asked the Inspector General to look into it. I think by the time the GAO and the Inspector General get their reports on paper, Dr. Custis will have the facts and the facts will then be available and we can discuss them in detail and find out where the checks and balances should be in the future. I am anxious to get that done.

Senator GARN. Just this one followup. What do the figures you have represent? It seems to me that with the information I have received, the total construction costs for the project should be higher.

Mr. MCCRACKEN. The original project left a couple areas that were held up for the expansion, SICU, and the hemodialysis, which is really the bulk of the million dollars Dr. Custis mentioned for the change orders. The main area changes involved the library which was close to the surgical suite. I think upon Mr. Lindsey's arrival, and considering the increased involvement with the medical school, it was determined that offices and other areas to support the surgical activity should be where the library was. The majority of the changes involved renovating the library area to provide office space and other support areas for the clinial activities. Some of the projects mentioned were not really related to construction in these areas but were peripheries such as landscaping and other things exterior to the building. We will be glad to answer your questions and provide more detail, as Dr. Custis and Mr. Walters have indicated. The project design began back in the mid-seventies and in the time between design and construction, program changes were made that required additional construction.

Senator GARN. Well, as Mr. Walters says, with GAO and the IG looking into this matter, we will get more detail. I hope there is a logical explanation.

Mr. WALTERS. So do I, Mr. Chairman.

VA NURSING HOME CARE BEDS

Senator GARN. In your February 24 report you state that your goal is to have 13,100 VA nursing home care beds in operation by 1987. How many are now in operation?

Dr. CUSTIS. 9,853 are provided for in the 1984 budget.

Senator GARN. How many additional beds are funded for construction but not yet in operation?

Dr. CUSTIS. Approximately 1,100 beds are under design and 900 beds are under construction.

Senator GARN. Your priority ranking which you had for the seven new nursing homes is based on your assessment of the percentage of need being met in each medical district. How does this criteria relate to the availability of existing non-VA facilities in each district?

Dr. CUSTIS. Mr. Chairman, very specific guidance in the MEDIPP process directed district planning staffs to survey the community for availability of private-sector nursing home beds. The guidance also indicated that attention should be directed to the existence of State-owned beds. We have reason to believe the guidance was generally followed regarding community and State beds, but something less than good reporting occurred in some districts regarding the future plan for these nursing homes.

Historically, and also coupled with the Presidential guidance of 1978, we established the guideline that the VA should plan for 20 percent of the market to meet total veterans' needs. The breakdown of the total in terms of State, community, and VA beds was 40 percent State, 20 percent community, and 40 percent VA. The initial input for MEDIPP and the recommendations for increased bed capacity are based on between 12 and 16 percent, a cutback from the original guidance of 20 percent.

I feel very confident that this first output of MEDIPP that will be presented to the Administrator will convincingly show that we are taking into consideration the community bed capability. We have some other problems because many of the community nursing homes cannot and will not accept patients requiring the intensity of nursing care provided in VA beds.

Senator GARN. Can you provide for the record the specific data on community nursing beds?

Dr. CUSTIS. Yes.

[The information follows:]

Projected fiscal year 1990 private sector nursing homes census identified through the fiscal year 1982 MEDIPP process

Medical district	1990 projected beds
1	66
2	229
3	209
4	950
5	238
6	741
7	667
8	650
9	289
10	527
11	732
12	1,258
13	1,579
14	717
15	682
16	400
17	1,017
18	1,463
19	770
20	822
21	730
22	576
23	433
24	450
25	955
26	1,887
27	1,035
28	675
Total	20,747

CONTRACT INPATIENT CARE

Senator GARN. How much consideration did you give to adding beds through contract care?

Dr. CUSTIS. We are, as you know, heavily into use of contracts for nursing home care. This year we expect to provide for the care of 10,000 veterans per day in community nursing homes by contract. This represents 39 percent of all VA-supported nursing home care. We will continue to use community nursing homes for meeting that peak of demand in the nineties that will be tapering off after the year 2000. In so doing, the VA will decrease the requirement for establishing VA nursing home beds and reduce the possibility of having an excess of VA nursing beds after the peak.

PRIORITY FOR CONSTRUCTION—VA NURSING HOMES

Senator GARN. Your analysis concludes that from 57 to 89 percent of the needs are now being met in the involved six medical districts. Based on these differences, why didn't you recommend building another facility in the San Francisco district, which was only 57 percent, rather than building a new facility in Providence, R.I., which was at 89 percent?

Dr. JACOBY. The spread of beds is determined based on anticipated needs. Looking at the San Francisco area, we are requesting 120 beds for San Francisco. Our plan includes another 120 at Martinez and we will have approximately 260 in Livermore. The number of beds necessary to meet our needs are either built, are being built, or are planned. We looked and even revalidated the 60-bed requirement in Providence to try and raise the percentage in that area.

Senator GARN. I guess really what I am trying to get at here is more a question of phasing. Obviously, off the top of your head, it would make more sense to go ahead and do it first where the need is greater, not that there isn't need in both places.

Could you prepare, for the record, a list of all your medical districts showing the number of VA beds, projected 1987 needs, and the percent of needs met?

Mr. WALTERS. Yes, sir.

Senator GARN. Are you considering longer planning horizons like 1990 for developing your nursing home priorities?

Mr. WALTERS. Yes, we are.

[The information follows:]

VA NURSING HOME BEDS—PERCENT OF 1990 NEEDS CURRENTLY BEING MET

The most recent projections of future needs for VA nursing home beds are from the November 1982 MEDIPP plans. These projections are for 1990, rather than 1987, and compare to current beds as follows:

Medical district	Current operating beds (as of Sept. 30, 1982)	Projected beds needed by 1990	Percent of 1990 needs currently being met
1	502	662	76
2	453	712	64
3	660	1,260	52
4	500	1,580	32
5	405	671	60
6	247	540	46
7	262	480	55
8	272	573	47
9	246	540	46
10	387	450	86
11	268	460	58
12	520	1,440	36
13	689	1,240	56
14	307	685	45
15	303	540	56
16	340	500	68
17	190	740	26
18	148	300	49
19	293	697	42
20	393	880	45
21	196	316	62
22	124	484	26
23	242	440	55
24	152	488	31
25	239	640	37
26	458	920	50
27	292	690	42
28	151	703	21
Total	9,239	19,631	47

SAN FRANCISCO NURSING HOME PROJECT

Senator GARN. Construction of a nursing home care unit in San Francisco is estimated to cost $14.7 million, far more than the other nursing homes. I understand that environmental opposition and parking constraints are responsible for a large part of this cost. How much of the cost is related to specific site constraints which might be avoided if the project had been located elsewhere in the medical district?

Dr. CUSTIS. That figure is $4.2 million, Mr. Chairman, of the $14.7 million.

Senator GARN. What actions have you taken to try to meet site parking on the adjacent National Park Service land?

Dr. CUSTIS. A request was submitted by the Administrator to the Secretary of the Interior to do this, but the request was denied.

Senator GARN. It was denied by Interior?

Dr. CUSTIS. Yes, sir.

Senator GARN. I understand VA's revalidation——

Dr. CUSTIS. If I may add one thing, it is my understanding Mr. Walters intends to rerequest this from the Secretary of the Interior.

Mr. WALTERS. If that is your understanding, it is only yours.

Senator GARN. I understand the revalidation committee recommended deferring the project until parking arrangements were made with the Department of the Interior, or that the project be relocated to Livermore or to Palo Alto. Why has this project now been requested for funding and how much would the project cost if it were relocated to Livermore?

Dr. CUSTIS. Livermore is already a sizable hospital with a sizable number of extended care patients. There are about 350 nursing home beds already planned or in operation in Livermore. The concentration of need in San Francisco is such that, in spite of the cost, we felt strongly it should be located there.

Senator GARN. But you are overruling your revalidation committee, which said if you can't get parking facilities from Interior, you ought to construct the facility at Livermore or Palo Alto.

Dr. CUSTIS. Parking facilities are already in acute shortage in San Francisco. This combination effort is going to correct the problem. The problem is not being created by the placement of the nursing home, but will be alleviated by this construction.

Senator GARN. Now you have confused me a little bit, because my understanding is the revalidation committee said, despite what you have just told me, that you either ought to make arranagements for parking with Interior, if you are not able to do that you should go to Livermore or Palo Alto. So I am not quite certain the answer you gave me fits with the question I asked or the revalidation committee recommendations.

Mr. WALTERS. Bill Sullivan can address that.

Mr. SULLIVAN. Mr. Chairman, we have gone to Interior and we are talking to them about the possibility of using a small tract of land at the Golden Gate National Recreation Area site, which is what we are referring to. We believe we may well get a favorable response from them.

Senator GARN. So it has been requested?

Mr. SULLIVAN. Yes, we have followed up on the recommendation of the revalidation team.

Senator Garn. All you need is one Watt, right? [Laughter.]

PROVIDENCE, R.I., NURSING HOME CONSTRUCTION

The Department of Medicine and Surgery has indicated that the proposed 60-bed nursing home for Providence, R.I., is the lowest priority nursing home in the fiscal year 1984 budget request. I have been told by the VA's revalidation committee that it visited Providence, and it remained unconvinced of the need for this project. Can you furnish any additional justification for the timing and location of this project?

Mr. WALTERS. We will furnish it for the record, Mr. Chairman.

[The information follows:]

NURSING HOME CARE PROJECT—PROVIDENCE

The revalidation team for the Providence, R.I., NHCU project had reservations as to the need for this project unless a greater demand could be demonstrated. The proposed construction plans themselves were considered to be well organized for the restrained site and recognized special conditions at the medical center.

Further analysis regarding the need for additional NHC beds was amply demonstrated by: The 150-person waiting list for placement in the State nursing home; a State construction freeze on NHC beds; the medical center's inhouse census of 23 patients considered to be NHC candidates; the projected need for 67 additional NHC beds in the district; and a district waiting list of 145 NHC candidates.

The final decision of the FPACC steering committee was to revalidate the project for inclusion in the fiscal year 1984 budget request.

REVALIDATION OF FUTURE PROJECTS

Senator GARN. What plans do you have to apply a similar revalidation for all future planned construction programs?

Mr. WALTERS. Mr. Chairman, I am not sure actually what plans we have. I am not so sure the revalidation process that we just finished had any real point to it. It was a center of controversy rather than a center of logic. So I am reviewing that whole matter now. I think in the revalidation process, as it is known, "revalidation," that many of the things that were done were already incorporated by the Department of Medicine and Surgery or are in the new MEDIPP process. I think we have to look carefully and determine how much review activity, on top of good managemant practices, should be going on in the system, and I am reviewing that now. I am not sure I have a quick answer or solution. But "revalidation" is a term I don't like. I just don't care for it.

SUBMITTED QUESTIONS

Senator GARN. I have over 117 pages of additional questions that I will submit to you for your response for the record. In addition, Senators Domenici, Huddleston, Chiles, and Byrd have some questions which they have submitted for your response for the record.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR GARN

VETERANS ADMINISTRATION
AGENT ORANGE

According to GAO, you could save almost $1 million a year in administrative staff and computer costs by discontinuing the computerized Agent Orange Registry.

Question: How much does your budget request include for the registry?

Answer: The VA does not know how GAO arrived at the costs of $1 million a year for the Agent Orange Registry. The registry activities are not cost accounted but are relatively insignificant inclusions in other budget items, e.g., patient care. The costs, in a large part, are being absorbed through existing resources at the national and local level. Because of this, we cannot give specific costs associated with the registry. The VA does have one specific line item in FY 1984 of $45 thousand identified for the registry. The budget does not identify other items ascribable to the registry.

Question: Will the registry be expanded?

Answer: The Agent Orange Registry has been revised to make the records more informative and efficient rather than expanded. The Office of Management and Budget (OMB) granted approval for the revision of the Agent Orange Registry code sheet that is utilized by all VA health care facilities to record information obtained through the interview and examination process. It includes the veteran's name, address, specific diagnosis of the health problems and other related information. Not all of this information was stored in a computerizable form and more readily available data are needed.

Question: Has CDC recommended that the registry be maintained by the VA?

Answer: CDC has made no recommendation for the continuance or discontinuance of the Registry. It was developed by the VA to identify Vietnam veterans who are concerned about possible ill-effects from exposure to Agent Orange. The registry was never defined as, nor intended to be, a part of a scientific, epidemiological study.

Question: How will the expanded registry be used?

Answer: The revised Agent Orange Registry will provide addresses that will be maintained as a current mailing list to be used by the VA's Agent Orange Projects Office for periodic health surveys of Registry participants. This list will also be used by the VA to provide registry participants with updated information on VA policy, health care programs, research, and other significant Agent Orange-related information.

Question: What will be done to eliminate the errors in the 89,000 cards already in the registry?

Answer: The Agent Orange Registry contains demographic, historical and medical information on all Vietnam veterans participating in the program. The cards, to which you refer, are simply locator files maintained by each VA health care facility to identify Vietnam veterans who have participated in the Agent Orange Registry. The locator card contains the veteran's name, address, social security number, date of birth and dates of examinations (initial and follow-up). Instructions for the preparation and maintenance of the loator cards have been issued through agency circulars. Recently, all Agent Orange Registry participants were mailed a name and address update code sheet for the purpose of obtaining and recording the veteran's current address so that address files could be updated.

Question: How much will it cost?

Answer: Cost estimates for eliminating the errors in the cards have not been made because cards will not be used as instrinsic parts of the computerized Agent Orange Registry system.

Question: Can the error be corrected without manually comparing the data contained in the registry to the 89,000 examination records?

Answer: Yes. The Agent Orange Registry name and address update code sheet will correct and update any address information. The new revised Agent Orange Registry code sheet enables the computerized file to change the veteran's address at any time without manually reviewing the examination records.

Question: Couldn't the money spent on the computerized registry be better used to insure the quality and thoroughness of examinations?

Answer: No. The computerized Registry is the only way the VA has to identify and uniformly record needed information on Vietnam veterans concerned about the adverse health effects from possible exposure to Agent Orange. The revised code sheets will themselves provide a means for evaluating the thoroughness and quality of the examination process.

Question: Have you included any funds in your request to cover the costs of analyzing and releasing data on the types of health problems experienced by Vietnam veterans? If not why?

Answer: Not as specific, identified items but expenses of examining the Registry's contents will not be great. The Agent Orange Registry is not designed as a statistical tool to determine the occurrence rate of health problems experienced by Vietnam veterans. Health data obtained from such a self-selected population does not indicate how often a disease or disability occurs in an entire group such as in all Vietnam veterans and almost always over-estimates its frequency. The release of data derived from the Registry may needlessly worry Vietnam veterans and serve no useful purpose. Nevertheless, the Registry serves to identify, examine and establish permanent health care records on concerned Vietnam veterans and it does provide the VA with some idea of the type of difficulties that the veterans are experiencing.

VA recently signed an agreement with CDC for transfer of the Agent Orange epidemiology study to CDC. The agreement calls for transfer of 28 FTEE and $3 million from VA to CDC during FY 83.

Question: Are there funds included in the FY 84 VA budget for the CDC study?

Answer: The interagency agreement between the VA and CDC, which was signed on January 14, 1983, provides that the VA will submit to OMB and the appropriate committees of Congress specific requests from the CDC for fiscal and personnel resources to support the conduct of the study. There is currently available $3 million for CDC to initiate the conduct of the pilot phase of the epidemiological study in FY 83. The availability of these resources will terminate on September 30, 1983. The interagency agreement provides for the VA to initiate appropriate action necessary to obtain OMB approval of CDC's request for 28 full-time equivalent employees (FTEE). The provision of these FTEE is pending OMB approval. CDC has not yet provided the VA with estimates for FY 84 resource support of the study. When the CDC submits their FY 84 request, the VA will submit an FY 84 request for the additional funds. We will advise you of CDC's requirements for FY 84 when they are received from that agency.

Question: What costs will be incurred by the VA during FY 84 for Agent Orange?

Answer: Current budget projections include an agency estimate of approximately $95 million for activities related to Agent Orange. These include continuance of the VA's Agent Orange Registry, provision of medical care to Vietnam veterans as authorized by Public Law 97-72, update of the analysis of scientific literature mandated by Public Law 96-151, conduct of Agent Orange-related research, including specially solicited research by VA research staff, maintenance of the VA's Agent Orange Projects Office and information activities of the Office of Public and Consumer Affairs. The projected costs do not include those resources which will be required by CDC to conduct the pilot phase of the epidemiology study, costs that are determined by a protocol that is not yet completed.

Question: What is the total expected cost of the CDC study, its major milestones and funding requirements by fiscal year?

Answer: Because of the absence of a protocol at CDC for the pilot phase of the epidemiology study it is not possible for the VA to determine its major milestones or funding requirements by fiscal year.

Question: What specific hypotheses will be tested by the addition of another group to determine the effects of the Vietnam experience?

Answer: We expect that the protocol being developed by CDC will provide the formulation of specific hypotheses based on the inclusion of an additional study cohort, assuming that CDC recommends within that protocol that such a group is to be examined.

Question: How much will it cost to expand the study to study this variable?

Answer: Until the protocol is received by the VA with specific CDC proposals relating to an additional study group, including the size of such a group, it will not be possible to provide any realistic estimate of the costs of expanding the study.

BENEFICIARY TRAVEL

Question: How much have you included in your FY 1984 request for beneficiary travel payments?

Answer: The 1984 Budget request includes $91,209,000 for beneficiary travel.

Question: How does that compare to the FY 1983 level?

Answer: The 1984 beneficiary travel level represents a $6,036,000 or 7% increase from the current estimated 1983 level of $85,173,000. This increase is the result of inflation and increased travel costs plus a modest increase in workload.

MEDICAL ADMINISTRATION AND MISCELLANEOUS OPERATING EXPENSES

Question: This year, you are requesting an increase of $5,742,000 or about 13% for Medical Administration. At the same time you are anticipating a decrease of 14 FTEE. What is the reason for the increased level of funding?

Answer: Of the $5,742,000 increase, appropriation transfers from General Operating Expenses (GOE) account for $4,540,000 and 4 FTEE. The transfers include $2,924,000 for Standard Level User Charges (SLUC) previously budgeted in GOE. An increase in FTS charges of $1,131,000 resulting from a review of FTS utilization which indicated GOE had been funding DM&S additional requirements. Both transfers from GOE to MAMOE will enable DM&S to more accurately reflect its operating expenses. The Congressionally directed ADP decentralization effort requires the annualization of 4 FTEE and a transfer of $485,000 from GOE to MAMOE. The balance of the increase, ($1,202,000) consists of uncontrollable increases for inflation and payroll ($703,000), requirements for the October 1982 pay raise and increased pay cap ($1,196,000) and increased support of Agent Orange activities, ($186,000 and 5 FTEE). These increases are partially offset by a decrease of 23 FTEE and $883,000 from existing staff elements.

Senator Garn—Continued

EQUIPMENT PURCHASES

Question: How much are you requesting for Medical Equipment during FY 1984?

Answer: The FY 1984 budget request for medical equipment amounts to $255,539,000.

Question: How does this compare to your FY 1983 program level?

Answer: The FY 1983 estimate for medical equipment is $230,516,000. The FY 1984 budget request represents an increase of 10.8% over FY 1983.

Question: Please submit the amount obligated for equipment for each month during FY 1982.

Answer: The total obligations for medical equipment for FY 1982 are $248,628,000. The following chart delineates the monthly amounts:

Medical Equipment Obligations
FY 1982
(in thousands of dollars)

Oct.	$ 1,054
Nov.	9,141
Dec.	16,535
Jan.	3,708
Feb.	15,637
Mar.	18,367
Apr.	25,473
May	32,274
June	59,031
July	9,461
Aug.	18,334
Sept.	39,613
Total	$248,628

Question: What is the ratio of replacement to additional equipment for each year starting in FY 1978 to FY 1984?

Answer: Tabulated below is a comparison and ratio of these requirements for the years in question.

(dollars in thousands)
Fiscal Years

Equipment Prog.	1978	1979	1980	1981	1982	1983	1984
Replacement:							
Object 31	$52294	$54927	$83510	$49442	$119696	$101472	$93907
Object 32	32858	36379	50574	35215	55729	62697	68909
Total	85152	91306	134084	84657	175425	164169	162816
Additional:							
Object 31	84019	99098	120759	39319	128932	129044	161632
Object 32	21981	24679	40478	22214	48565	32135	32000
Total	106000	123777	161237	61533	177497	161179	193632

Ratio: Replacement to Additional	.8/1	.7/1	.8/1	1.4/1	1/1	1/1	.8/1

Question: What are these ratios if you include activation equipment?

Answer: Since it is impossible to isolate that portion of equipment related to activations in an actual year, the above ratios include this equipment.

Question: You are requesting an increase of $14,565,000 for additional equipment at existing facilities. How do you justify the 31% increase?

Answer: In 1983, the Medical Care appropriation received partial funding for the additional payroll requirements resulting from increases in health benefits, the medicare tax increase and the civilian pay raise. In order to absorb a portion of this increased cost, it was necessary to reduce the acquisition of equipment at existing facilities by more than $10 million in 1983. This non-recurring reduction to equipment was restored in 1984.

CANTEEN SERVICE ADP RESOURCES

Question: What is the status of your efforts to acquire an ADP System for the Canteen Service?

Answer: The contract for acquisition of the Mini-Computer was issued in February 1983 for April 15, 1983 delivery. Work is now in process for the computer program design. The target date for full implementation of the Canteen Service ADP System is October 1, 1983.

MEDICAL CARE REIMBURSEMENTS

Question: This year you are expecting medical care reimbursements of $65 million. How did you arrive at this estimate? Was it based on 8/10 of percentage of the medical care total obligations?

Answer: Reimbursements are primarily comprised of interagency payments to the Veterans Administration for medical care provided non-eligible patients. These payments are usually received from the Department of Defense (DOD), Public Health, sharing agreements with other government activities, Medicare reimbursements, and VA-DOD sharing agreements. This care may be provided to active duty personnel, physical exams for other agencies, or indigent non-veterans in which the VA medical facility is the most accessible health care facility. It should be noted that this care is provided only on a space available basis. In the last three years, reimbursements have increased from a level of $43.5 million in 1980 to $50.9 million in 1981 and $57.6 million in 1982. The rates established are primarily based upon actual health care costs, therefore, total reimbursements have risen accordingly. The 1983 estimate of $60 million and the 1984 estimate of $65 million anticipate the continued increase in health care costs and the corresponding reimbursement.

Question: To what extent are you realizing the $60 million in FY 1983?

Answer: $10.2 million in reimbursements were earned through December 1982. Although this amount reflects only 17% of the annual estimated reimbursement level, it should be noted that earnings are always less during the first quarter. Therefore, the Department still anticipates reimbursements to be around $60 million in 1983.

Question: What do you estimate will be the impact of the aging veterans population on future reimbursement?

Answer: It is difficult to ascertain the impact of aging veterans on the Department's reimbursement receipts. Since reimbursable care is provided on an "as available" basis, veterans, whether aging or not, would receive medical care before any "non-eligible" patient. Therefore, reimbursements would not be impacted directly by the aging veteran population.

MEDICAL PROGRAMS AND PROJECTIONS

Question: Your five year projections for your inpatient workload indicates a nearly constant level of activity over the five years. In a similar fashion, outpatient workload also indicates a relative steady level of activity.
What are the implications for Medical Care and Planning for these projections?

Answer: The five year inpatient workload projections ties to OMB policy guidance and represents, basically, a current services estimate. Outyear workloads equal the 1984 workload level with the following exceptions:

- includes workload changes associated with facility activations.
- reflects expected workload reductions in Fee Medical and Fee Dental.
- includes workload changes expected from certain uncontrollable non-VA programs (CHAMPVA and the State Home Programs).

Question: How do these projections relate to the known increase in the aging veterans population?

Answer: These projections do not relate directly to the known increase in the aging veterans population. In anticipation of increases to the aging veteran population, the Chief Medical Director has directed a thorough analysis of the anticipated workload, availability of resources, and future policy options to be compiled in a document capable of guiding the agency's five-year and beyond planning efforts. Requirements identified in this document will be incorporated in future budget estimates.

MEDICAL CARE STAFFING

Question: Please provide a breakdown of the FTEE by category (i.e. physicians, RNs, LPNs, dentists, dental hygienists, dental assistants, etc.).

How does this compare to current staffing?

Answer: The distribution of the 2294 FTEE increase for FY 1984 is as follows:

Nurses	370
Dentists	13
Physicians	147
Psychologists	17
Wage Board	423
Other Personnel	1,324
Total Increase	2,294

This distribution is determined primarily on the estimated type of employment required to staff newly activated facilities in 1984. Other categories or FTEE not specifically identified above, such as LPNs, dental hygienists and dental assistants, are included in the "other personnel" line (consistent with available accounting data). Any further distribution other than presented above would require in depth analysis by program officials.

Question: Please provide the staff-to-patient ratio for each of these employee categories for FY 80, FY 81, FY 82, FY 83 and FY 84.

Answer: Workload data is only available by Activity (VA Hospital, VA Nursing, VA Domiciliaries, etc.) and not by employee category. Therefore a staff-to-patient ratio for each of these categories would be impossible to provide.

VA ENERGY MANAGEMENT

Question: GAO recently reported that VA hospitals reduced their energy use by about 11.1% between Fiscal Years 1975 and 1981. This resulted in a savings of about $17.3 million. GAO concluded, however, that these savings could be increased while keeping lighting, temperature, humidity and air flow within prescribed agency standards and without adversely affecting patient safety and comfort. GAO recommended that VA conduct technical energy audits in its hospitals using qualified energy personnel, direct its hospitals to implement low-cost conservation measures, monitor the results of these efforts, and reset each hospital's conservation goals as necessary. What steps have you taken to implement these recommendations?

Answer: Most of the GAO recommendations have already been incorporated in our program.

We did not and do not, concur with the last recommendation. It has been our observation that the facilities do not stop trying after achieving the original goal.

Question: Have you continued to reduce your energy use during the past fiscal year?

Answer: Yes, during FY 1982 we spent approximately $15.5 million dollars to save an additional 1.075 trillion BTU/year. This saved over $5 million during FY 1982 and it will save $81.3 million over the life of the installations.

Question: How much are you requesting for low-cost conservation measures and what is the average pay back period for these measures?

Answer: In FY 1984 we expect to spend about $17.5 million to save an additional $5.4 million per year.

MEDICAL CARE SUPPLEMENTAL

Question: Please explain the basis for your pay raise supplemental of $187,384,000.

Answer: The basis for the pay supplemental is detailed below by appropriation:

Medical Care	($000)
Oct. 3, 1982 pay raise requirements (Exec. Order 12387)	$147,488
Wage Board increase (P.L. 83-763)	13,000
Pay cap increase (P.L. 97-377)	24,905
Medicare increase (P.L. 97-248 effective 1/1/83)	35,725
Federal employees health benefits increase (effec. 1/83)	19,428
Total pay requirements	240,546
Absorption of pay increase	-59,101
Total pay supplemental	181,445
Medical and Prosthetic Research	
Oct. 3, 1982 pay raise requirements	4,237
Wage board increase	75
Pay cap increase	328
Medicare increase	642
Federal employees health benefits increase	451
Total pay supplemental	5,733
Absorption of pay increase	-3,559
Total pay supplemental	2,174
Medical Administration and Miscellaneous Oper. Expenses	
Oct. 3, 1982 pay raise requirement	1,225
Pay cap increase	469
Medicare increase	238
Federal employees health benefits increase	89
Total pay requirements	2,021
Absorption of pay increase	-1,408
Total pay supplemental	613
General Operating Expenses	3,152
Total pay raise supplemental	$187,384

Question: How much of the pay raise did the VA have to absorb?

Answer: A total of $64,068,000 was absorbed by the Department of Medicine and Surgery. (Detailed by appropriation in the previous chart.)

Question: You are also requesting an additional amount for "Medical Care" of $2,280,000 as a program supplemental to expand the existing affiliation between the Meharry Medical College and the Murfreesboro Veterans Administration Medical Center. How many FTEE will be required in FY 83 to accommodate this expansion?

Answer: The expansion will require 69 FTEE in FY 1983. This includes 5 FTEE for Education and Training to support 14 house staff.

Question: When do you expect these FTEE to be onboard?

Answer: The FTEE are expected to come onboard throughout the remainder of this fiscal year, with the largest increase to occur in July coincidental with the beginning of the academic year.

Question: What was the basis for computing the cost of these FTEE during FY 83?

Answer: The cost was based on an estimated average salary per type of FTEE.

Question: What is the anticipated total cost for the expansion of the Murfreesboro Medical Center?

Answer: Through FY 1988, a total of $46,697,000 and 294 FTEE will be required.

Question: You also indicate the need for 14 trainee positions (5 FTEE). What types of positions are these and what are their specialties?

Answer: The fourteen trainee positions are physician house staff and their specialities will be determined by patient workload.

Question: Has the expanded affiliation plan been approved by the authorizing committees?

Answer: The House authorized full funding of $17,000,000 for the clinical addition and alterations at Murfreesboro VAMC and the Senate authorized design and site preparation only, in the amount of $1,700,000. The balance for construction is requested in the FY 1984 budget submission.

VA NURSING HOME PRIORITIES

Question: On September 30, 1982, GAO recommended that you propose nursing home care unit construction to the Congress only after a thorough consideration of less costly alternatives by requiring planners to:

> Supplement national projections with local information on actual and projected needs for nursing home care in each medical district.
>
> Consider meeting nursing home needs wherever possible through greater use of the contract community nursing home program.
>
> Consider meeting nursing home needs by renovating, converting or changing the mission of existing VA facilities.

Have these recommendations been applied to the projects requested for funding in Fiscal Year 1984?

Answer: The GAO recommendations, as put forth to Congress, have been, to an extent, incorporated into planning efforts applied to the FY 1984 NHC projects. However, full incorporation of these recommendations will not be possible until our recently initiated MEDIPP process is approved and is able to provide the necessary information to implement the recommendations of GAO Report HRD-2-114, particularly the community/state nursing home issue. The 1982 MEDIPP submissions from each VA medical district specifically examined the actual demand for nursing home care at the VAMC level, determined the numbers of community NHC beds available in the hospital primary service area and projected a district-wide need for NHC beds in the 1985-1990 planning horizon. Essentially, the District MEDIPP submissions validated previous planning strategies to build VA NHC beds prior to 1984, but this information and specific information on 1985 and beyond NHC needs has not yet been approved by the Chief Medical Director and therefore is not yet available for release. Final approval of the MEDIPP plan by the CMD will lead to specific policies on related issues.

Question: Do you have more specific local information on actual demand for nursing home care at the VAMC level?

Answer: As previously stated, local information on actual demand was collected and analyzed as part of the individual Districts' MEDIPP submissions. As this data has not been formally approved, it is not yet available for release.

Question: How many vacant community nursing care beds are available in the hospital primary service area at each of the stations which could host a new nursing home?

Answer: As previously stated, the preparation of the individual District MEDIPP submissions included an analysis of the available community NHC beds in the hospital's primary service area. The data collected has not yet been approved and therefore is not yet available for release.

CONSTRUCTION PLANNING

Question: How much are you asking for the Medical District Initiated Program Planning (MEDIPP) Process?

Answer: The 1984 Budget contains no additional funds specifically for the MEDIPP process. Current staff and resources support this process and are funded from existing appropriations.

Question: What is the status of the MEDIPP process and when will data from this program be available for use in the determination of construction priorities?

Answer: The 1982 MEDIPP submissions have not yet been approved by the Chief Medical Director. The submissions are in the final stages of review and will be presented to the Administrator by mid-March. After that, approval is expected in the very near future and then the MEDIPP data will be used, as applicable, in determining construction priorities for the FY 1985 construction program.

Question: How will you be able to use this process to prioritize projects nationwide?

Answer: The program data provided from the MEDIPP process has been considered to be quite objective and representative of the District planning perspective as to the specific health care needs of the individual VAMCs within each District. The process has brought forth data that will strongly justify individual projects and provide information that will impact significantly on the DM&S policy decisions to place specific emphasis on high priority programs such as Nursing Home Care and Fire and Safety. In this way, the MEDIPP data will significantly influence the final "balance" of program projects (as described in the Prioritization Methodology paper) and improve the construction priority setting process by providing more objective data for management decision-making.

Question: On February 19, 1982, the VA announced that: "Until the Agency can justify its construction program, I believe it would be irresponsible to proceed with a major program for FY 1984 and the outyears". Do you agree that the VA has a long way to go in terms of developing a coherent construction priority process?

Answer: The FY 1984 special construction review effort showed that the planning processes employed by the VA in the past have been basically sound. The process did point out possible improvements in the normal development process. The identified improvements will be incorporated into the ongoing VA planning process and any newly identified improvements will also be incorporated on an ongoing basis.

Question: On February 24, you submitted a paper on your priority methodology. Could you please submit that paper for the record?

Answer: A copy of the Prioritization paper is hereby submitted.

DM&S PRIORITIZATION METHODOLOGY FOR THE FY 1984

MEDICAL FACILITY CONSTRUCTION PROGRAM

BACKGROUND TO PROJECT SELECTION

Construction projects included in the annual Congressional Budget Submission are initially identified through a grass roots planning system. Each medical center develops a five-year plan which is updated annually, indicating the construction needs to support their mission. The plan provides a basic inventory of projects for non-recurring maintenance, minor construction and major construction. The plan relates these projects to the impact on hospital services, space and functional deficiencies, and to the correction of cited deficiencies. The plan is formulated based on the mission assignment of the facility and the recognition of overall Department goals.

In the major construction program, that is, projects estimated to cost $2.0 million and above, projects are developed through the Advance Planning Fund (APF). This fund is an amount of money included in the construction budget for the advance planning of major construction projects. This planning provides for determining and refinement of project scope, development of alternative conceptual plans, completion of preliminary plans based on selected conceptual plan and the development of a cost estimate. Only those major projects that have been developed through the APF phase were considered for FY 1984.

PRIORITIZATION PARAMETERS FOR POTENTIAL FY 1984 REVALIDATED PROJECTS

Within the pool of the 35 projects available for funding consideration, the next step in developing the FY 1984 construction program was to determine the program priority of each of the projects in relation to the rest.

There were limitations in this FY 1984 prioritization process. First, the priorities were set within the parameters of these 35 projects considered ready for possible FY 1984 construction funding. The prioritization process, therefore, could only reflect the relative priorities of those actual projects which could be potentially funded in FY 1984, given prior planning and design work. Second, the prioritization process itself was limited by the current state-of-the-art. New planning systems such as MEDIPP and new planning criteria such as 1980 census data, staffing standards models, refined program and facility mission statements and so forth, which will hopefully be available for the FY 1985 selection process, were not sufficiently developed to be used for the FY 1984 prioritization process.

Despite these inherent limitations, a specific methodology was developed to be used to prioritize medical facility construction projects for the FY 1984 budget. This methodology is not intended as a permanent prioritization standard. Based on MEDIPP, new physical plant evaluations, improvements in the Agency's Space and Functional Deficiency Identification System (SFDI) and other ongoing refinements, future year prioritization will better reflect our goal of comprehensive, long-term planning and project prioritization.

Given that group of projects potentially available for FY 1984 funding consideration, however, it was possible to prioritize each project within given program categories and then integrate these program categories into an overall balanced construction program for FY 1984.

QUALITY INTEGRATED HEALTH CARE SYSTEM

The overriding consideration in VA construction project prioritizing is to produce a balanced program. The VA's health care system is viable and will only remain viable as a completely integrated and comprehensive delivery system. A prioritization process which only focuses on patient care to the detriment of support services and physical plant deficiencies would ultimately result in an inoperable system altogether. Similarly, a prioritization process which focuses primarily on care for one segment of the patient population, such as programs for the aging, would undermine our necessary affiliations as well as VA medical personnel recruitment and retentions and make unviable our commitment to serve other veteran needs.

DM&S PROPOSED FY 1984 PROJECT PRIORITIZATION METHODOLOGY BY PROGRAM CATEGORY

The first task in prioritizing the potential FY 1984 projects for program balance was to group projects within each program category. These categories and the prioritization process within each category are delineated in the pages that follow.

SUMMARY OF PRIORITIZATION WITHIN PROGRAM CATEGORY

Replacement/Modernization

1.	Minneapolis, MN	Replace Hospital Buildings
2.	Biloxi, MS	Modernize Various Buildings

Nursing Home Care

1.	San Francisco, CA	120 Bed NHCU
2.	Lyons, NJ	240 Bed NHCU
3.	Los Angeles (WAD), CA	120 Bed NHCU (Conversion)
4.	Loma Linda, CA	60 Bed NHCU
5.	Northport, NY	120 Bed NHCU
6.	Miami, FL	120 Bed NHCU
7.	Providence, RI	60 Bed NHCU

Clinical and Outpatient

1.	Chicago (Westside), IL	Outpatient Addn./Renovate Bldgs. 11a & 11b
2.	Pittsburgh (UD), PA	Outpatient Clinic Addition
3.	Murfreesboro, TN	Clinical Addition and Alterations
4.	Charleston, SC	Clinical Addition
5.	Omaha, NE	Outpatient Clinic Addition
6.	Sioux Falls, SD	Addn./Renov. (Clinical Admin., Educ.)
7.	Cleveland (WP), OH	Clinical Improvements (Surgical Svc. Reloc.)
8.	Fayetteville, NC	Clinical Addition
9.	Lake City, FL	Outpatient and Clinical Addition

Fire and Safety

1.	Syracuse, NY	Fire and Safety, Pat. Privacy and Support, HVAC
2.	Leavenworth, KS	Fire and Safety Improvements
3.	Livermore, CA	Fire and Safety Improvements (one svc. elev., expand ambul. care)

Environmental

1.	Brockton, MA	Modernize Buildings 2 and 7
2.	Tomah, WI	Modernize Bldgs. 406 and 408
3.	Battle Creek, MI	Renovate Bldg. 82
4.	Bath, NY	Renovate Building 78 (NHCU)

Technical

1.	Cincinnati, OH	Upgrade Electrical Distribution
2.	San Diego, CA	Emerg. Generator and Conservaton of Energy
3.	Durham, NC	Additional Elevators

Warehouse

1.	Hines, IL	New Warehouse/Service Building
2.	San Antonio, TX	Supply Warehouse and SPD

Laundry

1.	Perry Point, MD	New Laundry Building
2.	Pittsburgh (HD), PA	Central Laundry

"Other" General

1.	Waco, TX	Construct New Dietetic Building
2.	Castle Point, NY	Building Addition

Research and Education

1.	East Orange, NJ	Reloc./Consol. Research, Expand Clinical Lab

REPLACEMENT/MODERNIZATION PROJECTS

A. CATEGORY DESCRIPTION

As VA facilities get older, they develop critical space and functional deficiencies in terms of the delivery of modern health care that require a multiple corrective approach involving either total replacement or major modernization. Such projects involve numerous categories of correction and result from the determination that a comprehensive approach is more efficient and cost-effective than a recurring multiple project approach. Replacement/Modernization projects result from compounded deficiencies in the areas of patient safety/environment, patient care/support and physical plant obsolescence.

B. TOTAL PROJECTS

There were two replacement/modernization projects submitted in the FY 1984 budget .

C. PRIORITIZATION CRITERIA

1. "Primary Factors"

- Patient Safety

  a. Correction of fire and safety deficiencies as recommended by Fire Safety Evaluation System (FSES).
  b. Seismic corrections.

- Projected Need Based on Demographics

  a. Workloads (current and as projected to 1990 for both acute and extended care).
  b. Outpatient visits (current and projected to 1990).
  c. Deficiencies as calculated by VA/GAO Bed Sizing Model and/or Outpatient Project Model.

- Existing Space and Functional Deficiencies in Patient and Clinical Areas (using SFDI comparisons between existing space and approved Agency space planning criteria (H-08-9)

  a. Nursing units (including compliance with VA patient privacy standards and ANSI Handicap Barrier Standards).
  b. Clinical Support services.

- Medical Delivery Role of VAMC

  a. Type of VAMC (primary, secondary, tertiary). A higher priority is usually indicated for the tertiary care facility because of the more complex and sophisticated services provided by such a facility. The overall impact on patient care is usually more significant than in a primary or secondary care facility.

b. Affiliation(s). The strength of the affiliation(s) to the medical school usually calls for a more symbiotic relationship between the VAMC and the medical school, thus making construction funding at a highly affiliated VAMC more critical than at a non-affiliated or less intensely affiliated VAMC.

2. "Secondary Factors"

- Technical Deficiencies

  a. Age and structural condition of building(s) shell.
  b. Condition of site utilities, electrical and mechanical systems.
  c. Energy conservation.

Non-Clinical Support Service Deficiencies

  a. Warehouse
  b. Laundry
  c. Boiler Plant

D. PRIORITIZATION METHODOLOGY

The prioritization methodology used to rank the two Replacement/Modernization projects on the FY 1984 project list was limited to a comparative needs assessment between the two. The two Replacment/Modernization projects were considered on their own merits and prioritized relative to one another rather than against the other projects on the Agency's so-called "List of Ten".

The priority of the two Replacement/Modernization projects was based on a relative assessment of each project in terms of such major planning components as the relative impact of the medical center within the VA health care system, patient safety and code compliance, projected bed and outpatient service needs, patient environment and clinical service requirements, physical plant and support deficiencies and finally, the professional evaluations of program officials and Regional and District Directors.

In determining the priority of the two projects, each project was assessed against the evaluative criteria listed above which is grouped into "Primary Factors" and "Secondary Factors".

"Primary Factors" include those considerations determined to be the most important in terms of the delivery of quality medical (patient) care within the VA health care system. These "Primary Factors" encompass patient safety (e.g., fire/safety deficiencies); demonstrated need based on demographic analyses; space and functional deficiencies in patient and clinical areas; compliance with patient privacy and handicap access standards; and the medical delivery role of the medical center in the VA system (type of VAMC and degree of affiliation). Thus, a project which, in a relative sense, exhibits a more serious degree of fire and safety deficiencies than another gets a higher rating in that category; the project with greater space and functional deficiencies is given a higher rating, and so forth. Likewise, in considering demographics, the VAMC that is projecting the greater increase in patient days or outpatient visits, but is saddled with the least adequate facilities to support this increase, becomes the higher priority project.

Finally, greater emphasis is placed on the more active, highly affiliated and specialized Medical Centers because of the more sophisticated level of medical, surgical and psychiatric care provided.

"Secondary Factors", while also important to the operational functioning of a modern health care facility, include deficiencies which impact indirectly on patient care. "Secondary Factors" encompass the age and condition of the building(s) shell and site utilities, mechanical and utility systems; energy conservation; and the condition of non-patient support functions such as laundry and warehouse. Within these factors, greater emphasis is given to correction of the most serious identified deficiencies.

The evaluation of a Replacement/Modernization project against the primary and secondary factors results in its relative priority. More emphasis is given to the "Primary Factors" as these impact directly on patient care. These evaluations also encompass input from program official(s) and the Regional and District Directors.

E. PRIORITY RANKING OF THE TWO REPLACEMENT/MODERNIZATION PROJECTS:

Prioritization of the Replacement/Modernization projects is extremely difficult in that each VAMC in question has already been identified as being one of the ten VAMCs most in need of construction, replacement or modernization. Technically, both facilities are measurably deficient and the effect on the provision of patient care is significant. The rationale for prioritization is a balance of objective and subjective evaluations of all the criteria indicated above with the greatest weight being given to the evaluation of the effect that delayed funding of the project would have on the ability of the VAMC to provide quality patient care.

A brief description of the scope of these projects is as follows:

Minneapolis - This project provides replacement construction for virtually all existing medical and support facilities and will consolidate all beds, medical programs, services and outpatient activities into one area.

Biloxi - This project will totally renovate four buildings at the Biloxi Division and six buildings at the Gulfport Division. It will provide patient privacy for all nursing units as well as bring each building into compliance with fire and safety and other code requirements.

The results of the evaluation are illustrated on the chart following this section. The checkmark in the corresponding box indicates that evaluators ranked that project higher than the other in terms of the specific criteria indicated. It should be noted that several of the criteria, when applied to each facility, were ranked equally.

In establishing a priority between these two projects all the criteria indicated in the preceding narrative were considered. Although the proposed work at both VAMC's is extensive and the importance of both projects is extremely close in the way of priority, from an overall perspective Minneapolis is considered to be of a higher priority. This facility has received more attention and study since 1979 than any other project and the physical, functional and programmatic deficiencies have been well documented. It is felt that since this project is providing for the complete replacement and consolidation of all clinical and patient facilities as opposed to the renovation of mainly patient care buildings at Biloxi, it should receive the higher priority.

PRIMARY FACTORS	VAMC MINNEAPOLIS, MN Replacement Medical Center	VAMC BILOXI/GULFPORT, MS Modernize Various Bldgs.
Patient Safety	X	X
Projected Need Based on Demographics	X	
Existing Space and Functional Deficiencies in:		
• Patient Areas		X
• Clinical Areas	X	
Medical Delivery Role of VAMC:		
• Level of Care	X	
• Affiliation Status	X	
SECONDARY FACTORS		
Technical Deficiencies in:		
• Building Shell		X
• Major Systems	X	
• Energy Conservation	X	X
Non-Clinical Support Deficiencies in:		
• Warehouse	X	
• Laundry	X	X
• Boiler Plant	X	X

NURSING HOME CARE PROJECTS

A. CATEGORY DESCRIPTION

To meet the needs of the aging veteran, the VA has embarked on a program to provide nursing home care units by means of new construction or conversion of existing structures to nursing home care units.

B. TOTAL PROJECTS

There were seven Nursing Home Care projects submitted in the FY 1984 budget.

C. PRIORITIZATION CRITERIA

Criteria

- Construction "schedule" established to meet goal of 13,100 VA NHC beds in operation by FY 1987.
- Based upon a percentage of need for NHC beds being met in a District. Those Districts that exhibit the lower percentages of bed needs being met are "scheduled" in the earlier fiscal years to receive NHC construction funding for specific medical centers within that District.

Priority setting within the nursing home care construction program is based on a VA goal to have 13,100 NHC beds in operation by FY 1987. The construction strategy was set up on the following basis:

- Based on the study of the Aging Veteran (House Committee Print No. 77, 95th Congress) prepared pursuant to Public Law 94-581.
- National Projected NHC bed need and Presidential Guidance to achieve goal of 13,100 beds by FY 1987.
- VA option to meet 20% of the national nursing home bed needs of veterans, of which 40% will be provided in VA facilities.
- 13,100 beds distributed among medical districts according to:
    - Age specific veteran population data
    - Availability of alternate resources
    - Site availability
    - Existing VA NHC units
    - Construction schedule based upon the percentage of need that exists in each medical district relevant to the projected 1987 bed level need for the District.

D. PRIORITIZATION METHODOLOGY

Program emphasis on Nursing Home Care Units (NHCUs) results from projected veteran patient needs based on demographic study. The veteran population, while declining in overall numbers, is aging and the subsequent demand for nursing home care is evident. To illustrate, the number of veterans over age 65 was approximately 3.3 million in 1981 and it is projected to increase to 7.7 million in 1990 and to 9 million in the year 2000. Expressed as a percentage of the total veteran population, the comparable figures for these same years are 11%, 27% and 34%, respectively.

Priority setting within the nursing home care construction program is based on a VA goal to have 13,100 NHC beds in operation by FY 1987. Using the above criteria of "percentage of need" being met, those Medical Districts that exhibit the lower percentages of bed needs being met are scheduled in the earlier fiscal years to receive NHC construction funding.

E. PRIORITY RANKING OF THE EIGHT NURSING HOME CARE PROJECTS

As explained in the preceding narrative, priority setting is dependent on the "percentage of need" being met in a Medical District with regard to the existing and projected need for nursing home care beds. The less the percentage being met, the higher the priority of the NHCU project.

The profile of each of the Medical Districts where these seven NHCU projects are planned identifies the current authorized beds (either in operation or presently under construction) for each VAMC, the projected District "need" and the percentage of need being met before construction of the seven NHCUs in question. These profiles are as follow:

MD # 1 Providence, RI 60 Bed NHCU Project

VAMC	Current Bed Level
Bedford	162
Brockton	100
Manchester	120
Northampton	50
Togus	60
White River Junction	30
Total	522
Projected 1987 Need	589
Percentage of Need Met	89%

MD # 3 Northport, NY 120 Bed NHCU Project

VAMC	Current Bed Level
Bronx	120
Brooklyn	300
Castle Point	148
Montrose	122
West Haven	90
Total	780
Projected 1987 Need	992
Percentage of Need Met	79%

MD # 4 Lyons, NJ 240 Bed NHCU Project

VAMC	Current Bed Level
Coatesville	120
East Orange	60
Lebanon	120
Lyons	90
Wilkes-Barre	120
Wilmington	60
Total	570
Projected 1987 Need	956
Percentage of Need Met	60%

MD # 12   Miami, FL   120 Bed NHCU Project

VAMC	Current Bed Level
Bay Pines	240
Gainesville	120
Lake City	120
Miami	120
Tampa	120
Total	720
Projected 1987 Need	887
Percentage of Need Met	81%

MD # 26   Los Angeles (WAD), CA   120 Bed NHCU (Conversion)
Loma Linda, CA   60 Bed NHCU

VAMC	Current Bed Level
Loma Linda	60
Long Beach	180
San Diego	60
Sepulveda	200
Los Angeles (WAD)	120
Total	620
Projected 1987 Need	975
Percentage of Need Met	64% Before Los Angeles (WAD) construction. 76% After construction of Los Angeles (WAD).

MD # 27   San Francisco, CA   120 Bed NHCU

VAMC	Current Bed Level
Fresno	60
Livermore	120
Palo Alto	150
Reno	60
Total	390
Projected 1987 Need	681
Percentage of Need Met	57%

In priority order, by "percentage of need", the following ranking is indicated:

1. San Francisco	57%
2. Lyons	60%
3. Los Angeles (WAD)	64%
4. Loma Linda	76%
5. Northport	79%
6. Miami	81%
7. Providence	89%

FIRE AND SAFETY PROJECTS

A. CATEGORY DESCRIPTION

This category is comprised of projects that primarily correct identified fire and safety deficiencies. These deficiencies represent deviations from the Life Safety Code of the National Fire Protection Association. Although the scopes of some projects are exclusively for the correction of fire and safety deficiencies, other projects have portions of the overall scope pertaining to other identified deficiencies (such as air conditioning). It should be noted that many major projects in other categories have, as a part of the overall scope, segments that pertain to the correction of fire and safety deficiencies.

B. TOTAL PROJECTS

There were three fire and safety projects submitted in the FY 1984 budget.

C. PRIORITIZATION CRITERIA

Criteria

- Assessment of potential risk as determined by the applicable NFPA Life Safety Code Regulations. (JCAH standards also stipulate the use of NFPA regulations.)
- Evaluation of facility and development of corrective action through the Fire Safety Evaluation System for Health Care Facilities (FSES).
- Assessment of priorities made by District Safety and Fire Protection Engineers and technical experts in VACO.
- Current use of building (patient care vs. administrative or other) rates patient care buildings at a higher priority for correction of fire and safety deficiencies.

D. PRIORITIZATION METHODOLOGY

The correction of fire and safety deficiencies is an identified goal of the VA which has received major emphasis. It is a high priority goal because of the potential deleterious affects that these deficiencies can cause to humans and to capital investment. To identify fire and safety deficiencies, DM&S has adopted the 1981 edition of the National Fire Protection Association (NFPA) Life Safety Code which includes the Fire Safety Evaluation System for Health Care Facilities (FSES). The FSES provides a method of evaluating a health care facility and developing a plan of corrective action which determines the level of safety required by the NFPA Life Safety Code, but not necessarily meeting all specific code requirements. The relative prioritization of these projects rests with the assessment of risk by technical experts, with input from the District Safety and Fire Protection Engineers.

E. PRIORITY RANKING OF THE THREE FIRE AND SAFETY PROJECTS

The rationale for the ranking of these fire and safety projects is as follows:

Syracuse - All present fire and safety deficiencies will be corrected by the installation of a complete automatic fire sprinkler system. The project also includes patient privacy, medical gases, nurse call and air conditioning. The air conditioning is a vital portion of this project in light of the temperature buildup in the building and the subsequent deleterious effect on patients and staff. This tertiary care facility has been cited three times by JCAH for its fire and safety deficiencies.

Leavenworth - To correct existing fire and safety deficiencies this project includes automatic sprinklers, smoke detectors, fire alarm, smoke barriers and exit deficiency correction. The facility has been cited several times by JCAH.

Livermore - The project will correct existing fire and safety deficiencies by installing a complete sprinkler system and a new stairwell. The project also proposes to add one service elevator and a connecting corridor between two buildings, as well as renovating the ambulatory care area.

Due to the nature of fire and safety projects and the Agency's emphasis to correct those situations that could have adverse effects on humans and property, these projects are usually rated very close to one another in priority.

The priority order in this category was determined by a technical assessment of the severity of the existing deficiencies. Syracuse and Leavenworth were rated very close to one another, but the patient privacy and air conditioning deficiencies caused the Syracuse project to receive a slightly higher priority. The Livermore project, since it included other items not associated with fire and safety deficiencies (ie. elevators, connecting corridor and ambulatory care), was rated lower than the other projects.

CLINICAL AND OUTPATIENT PROJECTS

A. CATEGORY DESCRIPTION

Projects in this category represent clinical and outpatient additions and/or renovations that are developed to correct existing deficiencies in clinical and/or outpatient services and also to provide for expansion needs as indicated by future inpatient and outpatient workload projections.

B. TOTAL PROJECTS

There were a total of nine projects submitted in the FY 1984 budget. The projects include five Clinical Improvement and four Outpatient projects.

C. PRIORITIZATION CRITERIA

Criteria

- Demographic analysis

  a) workloads - current and projected
  b) outpatient visits - current and projected
  c) staffing patterns
  d) type of services afforded (neurology, rehab. medicine, surgery, intermediate care, etc.)

  In considering demographics a VAMC that is projecting the greater increase in patient days or outpatient visits, but is saddled with the least adequate facilities to support this increase, becomes a higher priority project.

- Direct effect on the provision of patient care. The relative impact of the project in question on the provision of patient care is of prime importance. The more significant the impact, the higher the priority.

- Type of VAMC (primary, secondary, tertiary). A higher priority is usually indicated for the tertiary care facility because of the more complex and sophisticated services provided by such a facility. The overall impact on patient care is usually more significant than in a primary or secondary care facility.

- Size of facility (number of beds). A large facility generally offers care to more veterans due to the larger volume generated by a large number of beds. The larger a facility, generally, the more important the need for the clinical or outpatient project in question.

- Age and condition of building(s).

- Affiliation(s). The strength of the affiliation(s) to the medical school usually calls for a more symbiotic relationship between the VAMC and the medical school, thus making construction funding at a strongly affiliated VAMC more critical than at a non-affiliated or less intensely affiliated VAMC.

- Space and Functional Deficiency Identification (SFDI) System relating to specific clinical services and their deficiencies as compared to approved Agency space planning criteria (H-08-9).

- Evaluations

  Regional Director, District Director, and Program Official(s) input.

D. PRIORITIZATION METHODOLOGY

The projects within this category represent projects that have a direct effect on the provision of patient care. In considering the relative importance of each of these projects several factors are evaluated. These factors include basic information such as the type of VAMC (primary, secondary, tertiary), the size of the facility (number of beds), the age and condition of the patient care buildings and the affiliation(s), if any. A very important factor is the demographic analysis done for the VAMC in question. This analysis encompasses the current and projected workloads (both inpatient and outpatient), staffing patterns and types of services afforded (e.g., neurology, rehabilitation medicine, surgery, intermediate care, psychiatry, etc.). A VAMC that is projecting a significant increase in patient days or outpatient visits, but is saddled with facilities that will not support this increase, becomes a candidate for a Major project in this category. The greater the projected deficiencies, the higher the priority. Input from the Regional and District Directors and Program Officials is also an important consideration. A final factor considered is the Space and Functional Deficiency Identification (SFDI) System. The components of SFDI evaluate nursing unit, clinical and ancillary aspects of the VAMC and its physical plant adequacy. The primary informational units are the existing space and functional measures as they compare to what the approved Agency criteria (H-08-9) recommends for the Service in question. This provides a comparison between the deficiencies in specific Services within the VAMC and a comparison with deficiencies in other VAMC's. It is useful in establishing relative priorities between projects.

E. PRIORITY RANKING OF THE EIGHT CLINICAL AND OUTPATIENT PROJECTS

The Clinical and Outpatient projects were ranked in the following manner:

Design funding for the Chicago (Westside), the Pittsburgh (UD) and the Murfreesboro projects were included in the FY 1983 budget. Planning normally dictates that the Construction funding request immediately follow the FY in which design funds are appropriated. This strategy minimizes the potential for the cost of the construction to increase and also carries out the VA's commitment to the Congress implicit with the prior funding request.

The prioritization process in FY 1983 indicated that the Chicago (Westside) project was of a higher priority than the Pittsburgh (UD) project. In order to reflect this priority and for purposes of consistency, this priority order has been maintained in FY 1984. The Murfreesboro project was added to the FY 1983 by reprogramming $1,700,000 for Design. This action was taken in the wake of the Murfreesboro - Meharry Medical College issue.

In the remaining six projects the priority ranking was determined as follows:

Charleston - This project will accomplish extensive corrections in Cardiac Lab, Dental, Hemodialysis, EENT, Pharmacy, Lab, Outpatient Psych., Audiology, Respiratory Care and Voluntary Services. The work at this tertiary care facility is closely tied in with the ongoing seismic correction project and the construction must be closely timed with the seismic project. This makes it imperative that construction begin during or before FY 1985. This strategy would allow for the smooth phasing of this Clinical project with the Seismic project. The importance of receiving funding support for this project in FY 1984, to coincide with the seimsic work, necessitated ranking it the highest of these remaining six projects.

Omaha - This project proposes a new addition to correct deficiencies in Ambulatory Care, MAS, Pharmacy, Biomedical Engineering, computer space and satellite and Radiology. The major deficiencies in this tertiary care facility are in outpatient operations.

Sioux Falls - This project will correct critical clinical deficiencies in Ambulatory Care, Lab, Radiology, SPD, Pharmacy, EENT, RMS and Nuclear Medicine at this secondary care facility. Sioux Falls is the only medical facility in a 200 mile radius.

The two projects are extremely close in regard to setting priorities. However, the Regional Director has given the highest priority to the Omaha project over the Sioux Falls project.

Cleveland (WP) - This project proposes an addition for Surgery with renovation for SPD, Unit Dose Storage and Radiology. Although this VAMC is a tertiary care facility with an intense affiliation with Case Western Reserve School of Medicine, the priority sense of the Regional Directors was that this project was of a lesser priority than the Sioux Falls project. The scope of the work, which is not as extensive as Sioux Falls, supports this sense of priority.

Fayetteville, NC - This project will correct deficiencies in Ambulatory Care, Audiology and Speech Pathology, Dental, EENT, Laboratory, MAS, Pharmacy, SPD, Surgery, Voluntary and Building Management services. The facility is a secondary care facility with a minimal amount of tertiary care provided. The project was ranked after the Clevelend project because the projected inpatient workload increase at this VAMC is not as great as the projections for Cleveland. Also the VAMC is a secondary care facility with a marginal affiliation as opposed to the tertiary care, intense affiliation status of Cleveland VAMC.

Lake City - This VAMC provides primary and secondary inpatient and outpatient care. The project will relieve overcrowding in the clinical and pharmacy waiting areas and will correct deficiencies in ambulatory care, pharmacy and administrative support areas. The project is not as extensive as the preceding projects in this category and the effect on patient care at this secondary care facility will not be as significant as in the preceding projects.

Outpatient and Clinical Projects

VAMC Type Affiliation	Authorized Beds Current	1990	Veteran Population PSA 9/30/82	9/30/90	% Change	Patients Treated FY 1981	FY 1990	% Incr.	Outpatient Visits FY 1981	FY 1990	% Incr.
Chicago (WS) Tertiary Intense	519	496	1,131,540	1,051,720	-7.1	7,614	8,823	+16	199,175	236,000	+18
Pittsburgh (UD) Tertiary Intense	536	497	476,601	446,421	-6.3	7,307	8,914	+22	115,969	130,200	+12
Murfreesboro Developing Tertiary	722	722	NOT DEFINED*	NOT DEFINED*		1,584	2,573 4,661**	+194**	26,407	44,300 41,800**	+58**
Charleston Tertiary Intense	434	439	123,442	122,761	-.6	6,162	8,103	+31	72,142	90,000	+25
Omaha Tertiary Intense	398	356	129,263	124,328	-3.8	8,118	8,223	+1	77,845	89,000	+14
Sioux Falls Tertiary Intense	248	230	106,885	100,293	-6.1	4,301	5,330	+25	28,526	44,300	+55
Cleveland (WP) Tertiary Intense	698	490	601,488	569,883	-5.3	11,082	13,931	+26	137,336	156,200	+14
Fayetteville, NC Secondary Marginal	346	390	122,763	119,818	-2.4	4,988	5,952	+19	55,851	81,600	+46
Lake City Secondary None	339	363	212,565	230,618	+8.4	7,789	13,026	+67	26,273	57,700	+120

* VAMC primarily a psychiatric facility. VA does not define a PSA for psychiatric facility because the patient population theoretically can come from anywhere in the District or surrounding Districts.

** Represents projections for proposed Surgical mission addition.

ENVIRONMENTAL PROJECTS

A. CATEGORY DESCRIPTION

Projects in this category are designed to correct existing deficiencies in the patients' environment. They include segments to comply with patient privacy standards (such as ward subdivisions and partitioning), to update toilet and bathing facilities, to provide nurse call systems and to modernize wards or whole patient care buildings. The projects, by their nature, sometimes provide for the correction of fire and safety deficiencies.

B. TOTAL PROJECTS

There were four environmental projects submitted in the FY 1984 budget.

C. PRIORITIZATION CRITERIA

Criteria

- Direct effect on the provisions of patient care.
- Degree of compliance with VA Patient Privacy standards and (where applicable) JCAH privacy standards.
- Age and condition of building(s) and/or ward(s).

D. PRIORITIZATION METHODOLOGY

The environmental projects generally address deficiencies in the patients' environment as they relate to the provision of patient care. Priorities concerning these renovations are determined by considering the age and condition of the building or wards in question and the relative effect these factors have on the provision of care. The VA has established Patient Privacy standards against which these wards are compared. The extent of non-compliance with these standards determines the relative priorities of the projects under consideration.

E. PRIORITY RANKING OF THE FOUR ENVIRONMENTAL PROJECTS

Brockton - This project proposes to correct serious fire and safety deficiencies, provide for correction of patient privacy deficiencies, correct electrical system deficiencies, provide for air conditioning, correct seismic deficiencies and provide medical gases. Although the scope of this project is quite similar to the proposed work for the other projects in this category, the priority sense of the Regional Directors indicated that this project should be ranked as the highest priority in this category.

Tomah - This project will correct serious NFPA fire and safety code violations and correct serious patient privacy deficiencies. It will provide for the renovation of toilet and bathing facilities, the provision of air conditioning, the correction of secondary electrical circuits and the elimination of handicapped barriers. The construction on these two buildings will result in the loss of 72 beds.

Battle Creek - This project is very similar to the Tomah project in that it will correct serious fire and safety code violations, will correct serious patient privacy deficiencies, will upgrade mechanical and electrical systems and will provide for air conditioning. The total bed loss will be 27 beds.

These two projects were very close in the way of priority setting. The Tomah project was rated slightly higher because the project will have a greater effect on more patient beds. The Regional Director has concurred with this prioritization.

Bath - This project proposes to renovate an existing domiciliary building to allow it to accommodate 124 NHC beds and to provide for expanded dining services and rehabilitation medicine activities. The project will also correct serious fire and safety deficiencies and patient privacy deficiencies. Finally, it will provide for air conditioning. The project was included under the environmental category, and not the nursing home category, because it is comparable to other patient ward renovation projects. The scope of this project has been discussed extensively over the past several years and in relation to the other projects in this category the project was considered to be of a slightly lower priority than the Tomah and Battle Creek projects. The Regional Directors have concurred with this prioritization.

TECHNICAL PROJECTS

A. CATEGORY DESCRIPTION

This category is made up of those projects that represent construction projects of a technical (or engineering) nature. These include elevator, electrical, boiler, asbestos and steam and water distribution projects. The projects either provide for new systems or are designed to repair defective or inefficient systems.

B. TOTAL PROJECTS

There were three technical projects submitted in the FY 1984 budget. These three projects include two Electrical projects and one Elevator project.

C. PRIORITIZATION CRITERIA

Criteria

- Degree of compliance with known standards relating to electrical, elevator boiler, heat recovery, etc. projects (e.g. National Electric Code).
- Technical expertise and judgment of the applicable program official(s). This includes evaluation of age of equipment, extent of deficiency, cost of replacement vs. renovation, etc.

D. PRIORITIZATION METHODOLOGY

Prioritization of Technical Projects such as electrical, elevator and boiler corrections is based on evaluating those projects against technical standards such as the National Electrical Code or elevator traffic load studies. While these evaluations highlight deviations and deficiencies from known standards, the technical expertise and judgment of applicable program officials is of paramount importance in establishing the relative priority of technical projects in their own category (e.g., elevator, electrical) and between categories (e.g., relative priority of this elevator project vs. that electrical job).

E. PRIORITY RANKING OF THE THREE TECHNICAL PROJECTS

Cincinnati - The electrical project at this tertiary care facility will correct serious code violations of the NFPA and NEC (National Electric Code) and correct the JCAH deficiencies. The wiring in this 1951 vintage building has seriously deteriorated, panel boards and transformer boards are seriously overloaded, feeders are inadequate and the proper emergency power is not available. The additional supply capacity will satisfy the concerns of the Cincinnati Gas and Electric Company regarding this facility. A very important consideration is the fact that the project is required to support the new Clinical Addition which is currently under construction. It is considered imperative that this project be funded in FY 1984.

San Diego - This project will provide for three new emergency generators and an absorption chiller unit. The current emergency power system is inadequate and does not comply with seismic standards. These are violations of both NFPA and JCAH codes. The project will also provide for heat recovery and/or co-generation from the emergency generators. The project was considered to be of a lower priority than the Cincinnati project because of the magnitude of the Cincinnati project and the impact on the Clinical Addition.

Durham - This project proposes the addition of three elevators, a trash chute and an additional linen chute at this facility. In comparison to the other two projects in the Technical category, this project was ranked as the third priority based upon the overall greater effect the first two projects would have on the functioning of the Medical Centers in question.

WAREHOUSE PROJECTS

A. CATEGORY DESCRIPTION

Warehouse projects are projects to construct new facilities or renovate existing facilities to provide for the required amount of warehouse space for a VAMC. On some occasions there is another portion of the project which will correct some deficiency in another area. These other areas are, in some way, associated with the warehouse space by either actual physical location or by the renovation of the former warehouse space for the Service in question.

B. TOTAL PROJECTS

There were two warehouse projects submitted in the FY 1984 budget.

C. PRIORITIZATION CRITERIA

Criteria

- National priority sequence established by Distribution Management Service (Supply Service).

  a) complexity of medical/surgical program supported
  b) size of the facility
  c) existing space shortage as determined by SFDI and other criteria information derived from VACO records

D. PRIORITIZATION METHODOLOGY

Warehouse projects in the General category are prioritized by the VA's Distribution Management Service. The identified projects are arranged in a national priority sequence that is based upon the complexity of medical/surgical programs supported, the size of the facility, the percentage of a space shortage when compared to VA criteria and other information derived from VACO records.

E. PRIORITY RANKING OF THE TWO WAREHOUSE PROJECTS

Hines - This project will provide for a new warehouse and a new service building to house SPD, Supply, Canteen storage and a bowling alley. The present warehouse facilities are located on the grounds of Loyola University, but the University now requires the space for their own purposes.

San Antonio - This project proposes an addition for warehouse space and a renovation of the existing warehouse and SPD space. The facility currently has a favorable leasing contract in effect, but the current facilities do have serious functional and environmental deficiencies.

According to the evaluations of the Agency's Distribution Management Service (Procurement and Supply), the first priority was given to the Hines project because the warehouse space needs are more pressing in nature than the San Antonio needs.

LAUNDRY PROJECTS

A. CATEGORY DESCRIPTION

A very important ancillary service provided in the Medical Center is the laundry service. This category contains projects to construct new laundries or to renovate existing ones. Some laundries are set up as consolidation laundries that provide service to the other VAMC's in that District or vicinity.

B. TOTAL PROJECTS

There were two laundry projects submitted in the FY 1984 budget.

C. PRIORITIZATION CRITERIA

Criteria

- Evaluation of particular VAMC by Building Management Service (VACO).

a) equipment replacement dates
b) condition and age of existing buildings and equipment
c) amount of M&R money already expended or expected to be required
d) feasibility of consolidation with other VAMC's in District or vicinity

D. PRIORITIZATION METHODOLOGY

Laundry projects are identified as General projects which are needed to provide clean linen and clothing to the VAMC's patients and specified personnel. Prioritization of laundry projects is based upon the VA's Building Management Service's evaluation of the particular VAMC. The evaluation of the facility includes workload factors, the examination of equipment replacement dates, the condition and the age of existing buildings and equipment, the amount of maintenance and repair money already expended and consolidation feasibility with the other VAMC's in the District or vicinity.

E. PRIORITY RANKING OF THE TWO LAUNDRY PROJECTS

Perry Point - This project proposes a laundry consolidation to support the laundry needs of VAMCs in Philadelphia, Baltimore, Fort Howard, Wilmington and Perry Point. The Regional Director considers this project as being the highest priority project in Region No. 2 and feels that it is vital to the Region. Building Management Service's evaluations have determined that this project is of a higher priority than the Pittsburgh laundry project.

Pittsburgh (Highland Drive) - This project proposes a laundry consolidation to support the laundry needs of VAMCs in Butler, Pittsburgh (University Drive) and Pittsburgh (Highland Drive). The project has been rated second to the Perry Point project by Building Management Service.

"OTHER" GENERAL PROJECTS

A. CATEGORY DESCRIPTION

The construction category "General Projects" is made up of a variety of projects that would not be considered in any of the other more specific categories (such as Clinical or Fire and Safety categories). As such, most of these projects do not share any significant similarities except in the case of laundry and warehouse projects. For the purposes of this paper, laundry and warehouse projects have been separated out of the "General" category and listed as individual categories. All the remaining projects are included in this "Other" category.

B. TOTAL PROJECTS

There were two "Other" projects submitted in the FY 1984 budget.

C. PRIORITIZATION CRITERIA

Criteria

- Subjective prioritization by Program Officials and Regional Directors. The impact of a project on the mission of one VAMC must be compared against the impact of another project at another VAMC.

D. PRIORITIZATION METHODOLOGY

The relative priority of the balance of the general projects, since they are not similar projects, must be prioritized in a more subjective manner in that the impact of a project on the mission of one VAMC must be compared against the impact of another project at another VAMC. The input of program officials and Regional Directors is essential to the prioritization of such projects.

E. PRIORITY RANKING OF THE TWO "OTHER" GENERAL PROJECTS

Waco - This project proposes to construct a new Dietetics building, to replace a 50 year old structure that is considered to be old, unsanitary and functionally inadequate. There are major deficiencies in the electrical and HVAC system, the waste, steam and water lines, the refrigeration and freezer vaults, the doors and door frames, the windows and the elevators. There are also many fire and safety deficiencies and barriers to the handicapped.

Castle Point - This project proposes to build a new two-story structure to house a 30 bed unit, the canteen and new offices for Building Management, Chaplain, Medical Administration, Psychology and Social Work Service. The existing canteen will be renovated for SPD which is considered to be totally inadequate.

The Castle Point project was subjectively rated second to the Waco project because the impact on patient care of the Waco project was considered to be more significant than for the Castle Point project.

RESEARCH AND EDUCATION PROJECTS

A. CATEGORY DESCRIPTION

This category contains projects that provide new or renovated facilities for the use of research and/or education activities.

B. TOTAL PROJECTS

There was only one Research and Education project submitted in the FY 1984 budget.

C. PRIORITIZATION CRITERIA

Criteria

- Evaluation by the program ACMD in assessing the needs at the VAMC.

- Magnitude of the R&E mission as part of the VAMC.

- The impact on the overall space needs at the VAMC.

D. PRIORITIZATION METHODOLOGY

Prioritization of R&E projects is dependent on an assessment of the VAMC's affiliation with professional health institutions, an extensive evaluation of the overall space needs for these functions in terms of approved space criteria, and a determination of the impact of the facility's R&E function in fulfilling the VAMC's mission. If the existing R&E facilities are preventing the expansion of other services, it must also be determined if functional needs would be better served by constructing a new F&E building and allowing for renovation or expansion for competing services in the R&E space to be vacated. These factors all influence prioritization of R&E projects.

E. PRIORITY RANKING OF THE RESEARCH AND EDUCATION PROJECT

As there was only Research and Education project no priority ranking was necessary.

INTEGRATION AND PRIORITIZATION OF RANKED PROJECTS WITHIN EACH CATEGORY INTO A BALANCED CONSTRUCTION PROGRAM

The preceding sections have outlined the prioritization process within each specific category. However, to assemble an integrated, prioritized list of all the major projects for FY 1984, a balance must be achieved among all the categories.

Within goals established by the Agency, emphasis has been given to the two Replacement/Modernization projects and to the two Outpatient and one Clinical projects that had been funded in the FY 1983 budget. Planning normally dictates that the Construction funding request immediately follow the FY in which design funds are requested. This strategy minimizes the potential for the cost of the construction to increase and also carries out the VA's commitment to the Congress implicit with the prior funding request. Notwithstanding the prior funded status of these projects, these three projects received the highest priority in the Clinical and Outpatient category. The first three projects (Minneapolis, Biloxi and Chicago (WS)) also include provisions to correct existing fire and safety deficiencies, a high priority emphasis of the VA construction program.

In order to reach the goal of 13,100 nursing home care beds by FY 1987 to meet the needs of the aging veteran population, the next Agency priority has been given to the seven Nursing Home projects listed. Following these projects, emphasis has been given to the correction of fire and safety deficiencies which encompasses the three fire and safety projects listed. Although these three projects are specifically identified as fire and safety projects, it should be noted that most of the projects listed for 1984 include provisions for corrections of fire and safety deficiencies. The correction of life safety deficiencies will continue to receive high priority in VA construction.

The remaining projects to be prioritized collectively represent the difficult process of balancing priorities among all categories. Care must be taken to assure that all categories (programs), over time, receive at least a minimal level of resources to keep the program viable. The prioritization process attempts to recognize the importance of the ancillary programs and a concerted effort has been made to assure that these programs are not disregarded because of the pressures which build up to support the direct patient care construction needs. Along with the previously identified category criteria, the impact and perspectives of the program officials, the District Directors, the Regional Directors and the Administrator become integral components in the prioritization process.

These objective and subjective rankings of projects resulted in the priority listing which follows. It should be emphasized that this priority listing represents the priority of the 35 projects as ranked against one another within program category and within a balanced construction program of all categories. This listing provides a ranking of relative need which will ultimately have to be reconciled to the realities of limited budgetary resources.

DM&S PROPOSED FY 1984 MAJOR CONSTRUCTION PROGRAM
(000's)

	VAMC	PROJECT TITLE	FY 1984 BUDGET REQUEST	CUMULATIVE TOTAL
1.	Minneapolis, MN	Replace Hospital Buildings	254,000	254,000
2.	Biloxi, MS	Modernize Various Buildings (BD and GD)	78,800	332,800
3.	Chicago, Westside, IL	Outpatient Addition/Renovate Bldgs. 11a & 11b	36,100	368,900
4.	Pittsburgh (UD), PA	Outpatient Clinic Addition	21,980	390,880
5.	Murfreesboro, TN	Clinical Addition and Alterations	15,300	406,180
6.	San Francisco, CA	120 Bed Nursing Home Care Unit	14,700	420,880
7.	Lyons, NJ	240 Bed Nursing Home Care Unit	20,000	440,880
8.	Los Angeles (WAD), CA	120 Nursing Home Care Bed (Conversion) Bldg. 213 (ph 2)	7,500	448,380
9.	Loma Linda, CA	60 Bed Nursing Home Care Unit	4,500	452,880
10.	Northport, NY	120 Bed Nursing Home Care Unit	8,200	461,080
11.	Miami, FL	120 Bed Nursing Home Care Unit	7,100	468,180
12.	Providence, RI	60 Bed Nursing Home Care Unit	5,300	473,480
13.	Syracuse, NY	Fire and Safety, Pat. Privacy and Supp. System and HVAC	32,800	506,280
14.	Leavenworth, KS	Fire and Safety Improvements (exits and sprinklers)	9,600	515,880
15.	Livermore, CA	Fire and Safety Improvements (one Svc. elev., expand ambul. care)	6,500	522,380
16.	Cincinnati, OH	Upgrade Electrical Distribution	3,500	525,880
17.	Perry Point, MD	New Laundry Bldg.	7,700	533,580
18.	Brockton, MA	Modernize Bldgs. 2 & 7	24,000	557,580
19.	Charleston, SC	Clinical Addition	12,900	570,480
20.	Omaha, NE	Outpatient Clinic Addition	26,000	596,480
21.	Sioux Falls, SD	Addn./Renov. (Clinical, Administration, Education)	12,800	609,280
22.	Tomah, WI	Modernize Bldgs. 406 and 408	9,800	619,080
23.	Battle Creek, MI	Renovate Bldg. 82 (1st & 2nd Floors - Patient Privacy)	3,800	622,880
24.	Cleveland (WP), OH	Clinical Improvements (Surgical Service Relocation)	9,400	632,280
25.	Bath, NY	Renovate Bldg. 78 (Nursing Home Care Unit)	7,000	639,280
26.	Fayetteville, NC	Clinical Addition	22,000	661,280
27.	San Diego, CA	Emergency Generator and Conservation of Energy	4,200	665,480

	VAMC	PROJECT TITLE	FY 1984 BUDGET REQUEST	CUMULATIVE TOTAL
18.	Hines, IL	New Warehouse/Service Building	11,000	676,480
29.	Waco, TX	Construct New Dietetic Building	7,500	683,980
30.	Lake City, FL	Outpatient and Clinic Addition	5,200	689,180
31.	Castle Point, NY	Building Addition	8,000	697,180
32.	East Orange, NJ	Relocate/Consol. Research, Expand Clinical Lab.	3,800	700,980
33.	San Antonio, TX	Supply Warehouse and SPD	4,200	705,180
34.	Durham, NC	Additional Elevators	3,000	708,180
35.	Pittsburgh (HD), PA	Central Laundry	6,500	714,680
	TOTALS		714,680	

Question: You note that your current efforts are limited by the lack of new planning criteria, staffing models and new planning systems. When will these elements be available?

Answer: As outlined in the VA Administrator's December 1, 1982, letter to the Chairman of both the Senate and House Subcommittees on Housing and Urban Development and Independent Agencies (also sent to several other members of the Veterans' Affairs Committee), the VA is pursuing several other avenues of improvement to its planning process. With the exception of the outlined physical plant evaluations, the Resource Allocations Methodology, full analytical use of the 1980 Census data, and the analysis of the SFDI system, all the identified initiatives will be of operational use for our decision-making on the FY 1985 construction program. These initiatives include MEDIPP, improvements to the project development process and space planning criteria and front-end planning.

Question: One of the major differences you noted between the Minneapolis and Biloxi construction projects is the "projected need based on demographics". Could you please describe this criteria in general terms and then submit the specific analysis that led you to conclude that Minneapolis was more justified on a demographic basis?

Answer: As explained on page 7 of the Prioritization paper, the Minneapolis and Biloxi projects were prioritized by a rational balance of objective and subjective evaluations of all the primary and secondary factor criteria addressed in the paper. Taken individually, the specific criteria were applied to each project and a decision was made as to which project ranked higher in terms of that criteria. "Projected Need Based on Demographics" was only one of the many criteria factors used. Our analysis, which is in itself a complex process, indicated the following data:

	Minneapolis	Biloxi
Authorized Hospital Beds Involved in Project	715	599
Veteran Population (PSA)		
9/30/82	537,370	145,842
9/30/90	514,380	146,603
Patients Treated (Inpat.)		
FY 1981	15,718	7,455
FY 1990	20,118	10,097
Outpatient Visits		
FY 1981	203,021	71,370
FY 1990	268,900	115,200

Our rationale for indicating a higher priority for Minneapolis, in regard to demographics, was explained on page 6 of the Prioritization paper. As stated, "in considering demographics, the VAMC that is projecting the greater increase in patient days or outpatient visits, but is saddled with the least adequate facilities to support this increase, becomes the higher priority project". The Minneapolis project is providing for the complete replacement and consolidation of all clinical and patient facilities (715 hospital beds) as opposed to the renovation of mainly patient care buildings at Biloxi (599 hospital beds). As such, the effect on the provision of patient services to an inpatient workload that is expected to increase by 30% was determined to be of more significance in light of the deteriorating physical environment of the Minneapolis structures than for the effect of the physical plant deficiencies on Biloxi's projected workload.

SERVICEABLE LIFE OF PHILIPPINE FACILITIES

Question: What do you estimate to be the serviceable life of the facilities in the Philippines?

Answer: The Veterans Memorial Medical Center was constructed by the VA during the mid 1950's at a cost of approximately $8,000,000. It was officially turned over to the Philippine Government in 1955. It has a current maximum bed capacity of about 1200. The normal life expectancy of a medical facility such as the VMMC is roughly 40 years. We have been advised that to extend the life expectancy an additional 30 years would require an estimated $7,660,000 in maintenance and repair. This would include the replacement of Steam Lines, Boiler Plant, Roof, Security Fence, Central Air Conditioning, new Generators and Laundry Systems as well as an additional Water Supply. It is also estimated that "routine" maintenance of the basic plant would require approximately $350,000 per year for the first 5 years, $200,000 for the next 15 years and $300,000 per year for the remaining 10 years giving a total of 30 years additional life expectancy. In summary, the total estimated cost to extend the life expectancy of the VMMC for an additional 30 years would require $7,660,000 in "major" replacement and $7,750,000 in "routine" upkeep and maintenance totalling $15,410,000.

POPULATION PROJECTIONS

Question: What are your population projections for the use of these facilities over the next 30 years?

Answer: There are an estimated 211,000 veterans remaining who are entitled to U.S. Veterans Benefits (Medical). These are predominately World War II veterans who rank's are decreasing due to the normal mortality rate. It is estimated that by 1997 there will be less than 1,000 of these WWII veteran's left. In addition to the WWII veteran the veteran roles are increasing approximately 200+ each year. These individuals are mostly

Philippine Nationals who have enlisted in the U.S. Armed Forces (mainly the U.S. Navy), and have returned to the Philippine Islands upon discharge. We have been advised by our Manila Office that they would expect to maintain an average daily census of 39 U.S. veterans at the Veterans Memorial Medical Center for an additional 30 years.

LENGTH OF STAY

Question: In recent years, how has the VA taken action to increase the use of its outpatient program to help shorten the length of hospital stay?

Answer: The VA has attempted to help shorten the length of inpatient hospital stays through a better utilization of its outpatient programs. The VA has built facilities to provide for ambulatory care, encouraged pre-admission screening and testing on elective surgical cares, encouraged outpatient surgery for minor procedures, and extended home health care to a larger number of post hospitalized patients. The increase in the number of associate chiefs of staff for ambulatory care throughout the system has helped to improve the overall management as well as the quality of ambulatory care programs which has increased the level and complexity of outpatient services.

Question: In 1977, VA reported that the number of its facilities that can do Outpatient Surgery should be increased. What has VA done to accomplish this?

Answer: The VA has encouraged each VAMC to perform minor surgery on an outpatient basis rather than an inpatient basis. It promulgated guidelines for this purpose in 1978. Since then VACO has established space and equipment criteria required for outpatient surgery.

Question: Has it (VA) done any survey to determine how many different procedures suitable for performance on an outpatient basis are being done on an inpatient basis at VA medical centers?

Answer: No. - The types of procedures than can usually be done on an outpatient basis are listed in the Circular on this subject, but no survey has been done.

Question: In 1977, VA reported that it planned to determine what factors are responsible for the prolonged lengths of stay on VA surgical services and to ascertain how screening for hospital admissions may be improved. Has VA performed such a study to identify factors responsible for the prolonged lengths of stay on surgical services?

Answer: Yes - A comprehensive survey was conducted in 1978. It indicated that 60-70% of surgical admissions were between ages 51 and 75, that 77% of patients were admitted from the VA Outpatient Clinics, that patients travelled one way from 1 to 300 miles from home to the VAMC with a mean of 60 miles, that 14% of surgical admissions were for minor surgery under local anesthesia, and that overall 64% of surgical admissions underwent surgery (the remainder had x-ray therapy, chemotherapy, observation or terminal care), that the mean pre-operative length of stay was 4.5 days, and the mean post-operative length of stay was 6.4 days, that only 8.4% of patients underwent pre-admission screening.

Question: Community Hospitals have conducted social studies to identify ways to reduce length of stay in their hospitals. What has VA done in recent years to reduce length of stay in its hospitals?

Answer: The VA in recent years has encouraged and built facilities for ambulatory care, encouraged pre-admission screening and testing of elective surgical cases, encouraged outpatient surgery for minor procedures, and extended the home care program for post hospitalization of spinal cord injury cases to general medical and surgical cases.

Question: In 1977, VA reported that patients will require some form of transient living facilities if they are to benefit from expanded surgical outpatient care because many of them live a considerable distance from the VA hospital that serves them. Has the VA considered use of motels, halfway houses, and similar facilities in this effort?

Answer: Yes, the VA has considered the use of motels and other facilities for such cases and due to inability to obtain appropriate funding for this purpose, the program has not been instituted to date.

Question: In 1977, VA reported that some long-term patients are located in general medical and surgical bed sections without being properly classified. VA reported that corrective remedial action had been initiated to insure that bed classifications accurately reflect the level of care that the patient is receiving.

What was this "corrective remedial action"?

How was it implemented and what impact has it had on staffing and patient care?

Answer: In 1981, it became apparent that the multi-level care study did not appropriately classify patients or accurately reflect the nursing care requirements. It was also not possible to properly identify need for physicians or other professional support personnel. Carried to conclusion, the system would have been too expensive to operate. The Department moved to two discrete projects: staffing guidelines and resource allocation methodology.

The nursing portion of the staffing guidelines has adopted the San Joaquin patient classification for acute medical and surgery patients. This system describes a patient care requirement for nursing support to patients. We are still analyzing data to determine the discrete time allowances per work item. We anticipate statistical analysis will be completed the fourth quarter of FY 83.

Due to the incomplete description of classification/patient care requirement guidelines this was not used for any remedial action. Staffing changes were done on basis of workload and professional judgement.

Additionally, in order to take a new multi-disciplined view of intermediate care, a task force was formed whose charge among others was to identify specific patient categories, currently in intermediate care wards, which should be treated more appropriately elsewhere.

Question: In 1977, VA reported that it was in the process of developing a system of patient classification that will provide for specific identification of patient groups according to their needs for different levels of care.

What is the status of this system's development?

Answer: We anticipate that by the end of FY 1985 the Department will evolve a nursing staff criteria based on the San Joaquin patient classification, a modification of that classification for such specialty units as medical intensive care, coronary or surgical intensive care units, and consumption related group work units for intermediate psychiatric and nursing home patients. The patient care requirements will be accounted for in time values. It is anticipated that the specialty and long-term unit requirements values will be ready for measurement in early FY 84.

The size and complexity of this project, along with the fact that this is largely a first-time development, is what accounts for an apparent excessive time to accomplish the project.

PATIENT SATISFACTION SURVEY

Question: Please describe for the record, the results of your latest patient satisfaction survey in comparison the previous survey.

Answer: Comparison of the 1981 Patient Satisfaction Survey results with those of the survey conducted in 1980 shows that patient satisfaction with most all aspects of VA health care services remained very high. This was true for both hospitalized patients and patients treated in outpatient clinics. Of the 18 major topical areas covered by the survey there were 2 where the changes between 1981 and 1980 were greater than one percentage point. Hospitalized patients' satisfaction with food decreased by two percent (from 82.5% to 80.4%) and their satisfaction with the emotional support provided by primary health care providers increased by one percent (from 48.3% to 49.4%). Inpatients' overall satisfaction with physician care was 85% and 92% with nursing care in both years. Their satisfaction with cleanliness of the Medical Centers was 92% and 94% with the attitude of VA personnel for both 1981 and 1980. Of the outpatients surveyed, 85% felt that the overall health care was delivered in a considerate manner and 96% felt that the clinic personnel were attentive.

The number of hospitalized patients surveyed was approximately 20,000 in both 1981 and 1980 and over 50,000 outpatients participated in each survey.

NEWARK OUTPATIENT CLINIC

On November 29, 1982, the Office of the Inspector General reported that the Newark Satellite Outpatient Clinic should be consolidated with the VA Medical Center East Orange. The IG reported that such a move would not affect the volume or quality of care provided to veterans in that area and would save about $363,000 in annual lease expense and $307,000 in annual salaries, and would allow VA to avoid about $470,000 of planned construction at the Newark Clinic. Both the Medical Center Director and the Chief Medical Director agreed that something had to be done about the existing Newark Clinic, but did not agree to consolidate the two clinics at the Medical Center.

CONSOLIDATION OF CLINICS

Question: Has the VA decided whether to consolidate the two clinics?

Answer: VA, DM&S and the Inspector General have agreed upon a plan of action although no final decision has yet been made regarding the consolidation of the clinic at Newark with East Orange. A cost/feasibility study and review is in process by VA Central Office staff to assess various alternatives of consolidation. Revalidation of MEDIPP outpatient workloads, development of a complete space program and a site visit will be made during the next several months. A determination will be made whether consolidation is feasible within the existing space. If existing space is inadequate, the feasibility of additional onsite construction will be reviewed as well as relocating the Newark facility to an alternate site.

SERVICE CONNECTED VISITS

According to VA statistics for Fiscal Year 1982, the Newark Clinic experienced about 56,000 visits by veterans. About 70% of these visits were by service connected veterans. On the other hand, of the 103,000 visits experienced by the East Orange Clinic, only 44% were by service connected veterans.

Question: How do you account for this difference?

Answer: Normally, satellite or independent outpatient clinics provide service to a high percentage of service connected veterans. Many service connected veterans are served for chronic conditions that are easily served at the satellite or independent clinic.

The clinics located at the Medical Center usually treat veterans discharged directly from an acute episode of hospitalization. Admission to a medical center is based upon need for hospitalization and not on the basis of service connected status (unless resources are unavailable to treat the non-service connected (NSC) veterans). Thus, since a much higher percentage of NSC veterans are admitted for hospitalization, a much higher percentage of NSC veterans are followed for their care at the medical center site. In addition it is not feasible as a cost effective measure to provide all medical specialties at the satellite clinic.

QUALITY OF CARE

Question: Wouldn't the service connected veterans receive better care at the East Orange Medical Center?

Answer: The care provided at satellite clinics, and specifically at Newark Clinic, should not be any less effective than at the Medical Center clinics. As noted above certain medical specialties may not be routinely on site at the satellite clinic. Specialty staff would be brought to the clinic site or the veteran will be provided an appointment at the medical center for the particular problem indicated. It should be emphasized that the quality of care provided by staff at the satellite clinic is equivalent to the care provided at the medical center clinics.

OPERATIONAL EFFICIENCY

Question: Have you evaluated whether the East Orange Clinics can be operated more efficiently to allow consolidation?

Answer: The staff at the East Orange Medical Center are continuously striving to improve the efficiency and effectiveness of the clinic operations. Systematic reviews as well as special studies have been conducted by staff to provide high quality care in consonance with cost containment measures.

During the past several years attempts to improve the physical plant at the Newark location as well as to relocate the clinic have been unsuccessful. Consolidation had been contemplated at the East Orange Medical Center location, but because of lack of existing space, parking and other considerations this was not accomplished.

In summary, action is being taken to provide a cost effective solution for providing high quality ambulatory care to veterans in the East Orange primary service area. Consolidation of care is the desired outcome if it is cost effective.

IRREGULARITIES AT THE VA'S REHABILITATION ENGINEERING CENTER IN NEW YORK

Question: On December 24, 1981, you announced a review of the operating costs associated with the Rehabilitation Engineering Center in New York. This review was triggered by a preliminary report from the VA Inspector General raising serious concerns regarding the effectiveness of nearly $10 million annually in operating costs. Could you please describe the current status of your investigation into the Rehabilitation Engineering Center?

Answer: The Chief Medical Director appointed a special Task Force to review and evaluate the operation of the VA Rehabilitation Engineering Center and to make recommendations for its future mission, goals and objectives, and operational alignment. The Task Force presented its report and the Chief Medical Director accepted and approved all of their recommendations on July 25, 1982. The recommendations were intended to continue to provide those direct services to veterans the VAREC was providing, to redirect other program activities to be more effective and efficient, and to establish clear lines of authority and responsibility for all programs. The new alignments would improve operational efficiency and cost effectiveness, and make the programs more responsive to the needs of veterans nationwide. The current budget for VAREC is being carefully monitored and tightly controlled.

An Implementation Committee has been appointed and charged to carry out the recommendations to ensure that the reorganization is successfully consummated. Complete implementation must await the beginning of FY 1984 in compliance with Public Law 97-66. Notification of our intended reorganization was provided to the Chairmen, Committee on Veterans' Affairs, United States Senate; Subcommittee on HUD-Independent Agencies, Senate Appropriations Committee; Committee on Veterans' Affairs, House of Representatives; Subcommittee on HUD-Independent Agencies, Committee on Appropriations, House of Representatives; and Subcommittee on Hospitals and Health Care, Committee on Veterans' Affairs, House of Representatives, on January 11, 1983. Those programmatic changes which can be accomplished without conflict with Public Law 97-66 are being implemented. For instance, the Prosthetic Component Service at VAREC which stocked and distributed selected prosthetic components is being phased out and these components are being provided under the National Artificial Limb Contract as of March 1, 1983. The Information and Education Service has begun to participate in the Abledata program, a nationwide computerized data bank for information on recent developments in prosthetics, orthotics, and sensory aids. The Technology and Performance Evaluation Service is cooperating with the Rehabilitation Engineering Society of North America in the development and implementation of wheelchair standards.

COST OF TREATMENT

Question: Please provide a list of the average cost per day and cost per admission of veteran by age and age intervals of five years.

Answer: The distribution of cost data by veteran age is not available.

Question: Indicate the estimated percent of total United States veterans in each age group that receive treatment in FY 82 and your projections for FY 83 and FY 84.

Answer: During FY 82 nearly 3 million of the 30 million living veterans were provided services by the VA health care delivery system. That is, 10 percent of all veterans received care in the VA. The percent utilizing the system varies significantly by age as shown in Table 1. For example, the individual utilization rate for those over age 65 is more than twice that of those under age 65.

Recent analysis has shown that individual utilization rates have not changed significantly during the last decade. Therefore, it is assumed that age specific utilization rates will be the same in 1983 and 1984 as those in 1982. Hence, the percentage of individuals using the system by age will not change. However, the total number of individuals using the system will increase due to the age shift in the veteran population. The number of veterans one can expect to use the system in 1983 and 1984 are shown in Table 2.

TABLE 1

Number and Percent of Veterans by Age Utilizing the VA Health Care Delivery System in FY 1982.

Age	1982 Veteran Population	1982 Individual Users	Percent of Veteran Using the System
Under 35	5,682,000	476,270	8.4%
35-44	6,114,000	346,677	5.7%
45-54	6,191,000	460,108	7.4%
55-64	8,323,000	966,689	11.6%
65-74	2,883,000	491,224	17.0%
75-84	473,000	113,118	23.9%
85 or Older	323,000	71,065	22.0%
TOTAL	29,989,000	2,925,151	9.8%

TABLE 2

Number of Veterans by Age Expected to Utilize the VA Health Care Delivery System in FY 1983 and FY 1984.

Age	Estimated Number Of Individual Users in FY 1983	Estimated Number Of Individual Users in FY 1984
Under 35	426,644	392,445
35-44	367,599	379,506
45-54	442,787	424,059
55-64	955,185	938,924
65-74	561,061	635,347
75-84	125,315	139,424
85 or Older	68,203	64,683
TOTAL	2,946,794	2,974,388

FEMALE VETERANS

Question: In a September 24, 1982 report, GAO made several recommendations to improve female veterans awareness of an access to VA benefits. What progress has been made in negotiating sharing agreements with DOD hospitals to improve female patients access to outpatient gynecological care?

Answer: There has been a desire on the part of the VA to help meet the needs of female veterans through sharing arrangements with DOD.

The rationale for using DOD facilities is that the presence of female active duty personnel has resulted in ability more widespread than the VA's to treat female patients. Actually, the resources of DOD are already stretched thin. Previously, cost overruns in the CHAMPUS program has placed additional stress on DOD's capability of serving female veterans because active duty dependent personnel are being called on to military health care facilities in lieu of CHAMPUS benefits.

In a recent survey, the VA has found that three VA hospitals are actively persuing sharing agreements with DOD facilities for female medicine. At VAOPC Anchorage and at Montrose, NY, agreements are being developed with Elmendorf AFB and West Point Hospital, respectively.

At Tripler Medical Center in Hawaii, active sharing is taking place. In FY '81, there were 8 gynecologic examinations, 6 C&P examines with gynecologic consults and 3 gynocologic surgical procedures at Tripler afforded female veterans. Average waiting time is 4 to 6 weeks for gynecologic consultations. Further talks with DOD are underway.

Question: How will each of the major construction projects in the FY '84 appropriation insure female veterans equal access to medical services?

Answer: A department of Medicine and Surgery Circular was issued in January, 1983, which requires all medical centers to submit plans for correcting any portion of the physical plant which will limit access of female veterans. These plans are to be incorporated in the FY 1985 - 1989 five year facility plans. All construction projects submitted as part of the proposed FY 1984 budget have been reviewed for compliance with female patient privacy standards.

To insure maximum sensitivity to the special facility needs of our female veterans, we will develop a broad forum for sharing successful solutions to female patient care and privacy problems. This will be accomplished through engineering conferences, conference calls, letters to the field, "Hot Line" telephone calls, and the process of Advance Planning Fund development.

Question: How will the needs of female veterans be addressed in the MEDIPP process?

Answer: Each major program area (e.g., medicine, surgery, psychiatry, etc.), will be developing programmatic guidance which will be issued to the medical districts for inclusion in their FY 1986 - 1990 MEDIPP plans due in Central Office in November of 1983. Program officials are required to include a statement of how the needs of the female veterans will impact upon their particular program. This programmatic guidance will be consistent with DM&S policy regarding the needs of female veterans.

HOSPITAL CARE FOR NON-SERVICE CONNECTED VETERANS

Question: What was the cost to VA's FY 82 medical budget for non-service connected medical care provided to veterans (excluding military retirees) aged 65 and over?

Answer: The distribution of cost by service connected/non-service connected by age category is not available.

Question: What was the cost associated with the medical care provided to all non-service connected patients during FY 82?

Answer: Distribution of cost in this manner is not available.

Question: If this caseload was shifted to Medicare and related programs, would this result in a significant cost reduction to the Federal Government?

Answer: If non-service connected workload is shifted to Medicare and related programs the cost to the Federal Government would probably be significantly increased, assuming that quality of care and level of deductibles (no deductibles for veterans) remain at current levels. While there are no studies comparing VA and Medicare costs, the VA has compared the cost of providing an episode of acute medical care in a VA Medical Center with the cost of providing the same care in a community hospital affiliated with a medical school. This study showed that the VA has a significant cost advantage of between 7.9 and 13.0 percent per episode of care. While this study must be used with care, it is the best comparative study currently available.

Question: Please list the number of percent of non-service connected visits and bed days for each medical speciality for the most recent 12 month period for which you have data.

Answer:

OUTPATIENT

Total Outpatient Visits	Total Non-Service Connected Visits	Percent (%) Non-Service Connected to Total
16,024,008	9,045,371	56.4%

SOURCE: Summary of Medical Programs (Sep 82)

INPATIENT

Service	Non-Service Connected Bed Days	Total Bed Days	Percent (%) Non-Service Connected to Total
Internal Med.	5,410,357	7,731,650	70.0%
Intermed. Med.	2,728,676	3,876,251	70.4%
Neurology	412,641	581,813	70.9%
Rehab. Med.	265,617	363,516	73.1%
Blind Rehab.	17,708	26,145	67.7%
SCI	288,398	391,739	73.6%
Surgery	3,314,803	4,760,462	69.6%
Psychiatry	4,526,642	7,642,362	59.2%
Total	16,964,841	25,373,943	66.9%

SOURCE: PTF 812 (Sep 82)

Florida 30 Year Health Care Needs

Question: Please describe the findings, conclusions and qualifications of your December 2, 1982 VA report on the 30 Year Veterans Health Care Needs in Florida.

Answer: Florida is one of the fastest growing States. The veteran population is projected to increase from 1.5 million in 1981 to 1.7 million in 1990. The peak demand for veteran health care services is projected to occur in the year 2000 with a downward trend after that date. Requirements identified by the 30 Year Study indicate a need for 1,500 additional inpatient beds; 587,000 more outpatient visits; 2,100 VA owned and operated nursing home beds; an increased census of 3,600 in community and State nursing home beds; and 350 additional domiciliary beds.

The Study translated this demand into recommendations that the following new resources would be required: construction of 290 psychiatric beds at VAMC Gainesville; convert space to accommodate 42 psychiatry beds at VAMC Miami; the equivalent of two 500 bed hospitals in areas of Florida currently with limited access to care; construction of 800 VA nursing home beds; establish two outpatient clinics in addition to two currently being activated at Pensacola and Daytona Beach; increase outpatient funding ceiling to ensure the same percentage of non-service connected veterans are served in Florida as in the nation; and develop alternatives to hospitalization for meeting the needs of aging veterans, such as residential care programs and VA sponsored Geriatric Day Care Centers. The total cost of the strategies outlined in the Study would require approximately $432.7 million dollars for construction and equipment and an additional $242.6 million dollars per year for operating costs. These resources must come either from a major shifting of existing sources or additional appropriations.

Qualifications affecting the implementation of the recommendations of the Study include the availability of additional funding; the extent to which community nursing home resources will be available for VA contract care; the ability of the VA to enter into sharing agreements with the Department of Defense to use excess capacity at military health care facilities; the feasibility of establishing VA nursing home beds adjacent to outpatient clinics rather than VAMCs. Although medical care needs are projected to peak in 2000, for planning purposes recommendations were developed to meet needs between 1990-2000 in order to minimize excess capacity in non-peak years. Non-construction alternatives were emphasized due to the high cost of construction and the long lead time for construction projects.

NURSING SHORTAGE

At last year's hearing, you indicated that the VA had a shortage of slightly over 1,000 nurses, and that nationwide there was a shortage of as much as 100,000 nurses.

Question: Has the situation changed since last year?

Answer: Yes, the situation has changed in the Veterans Administration. The number of DM&S beds closed due to the RNs shortage has decreased by 54.5% (from 464 on 9/30/82 to 211 on 12/21/82).

The number of RNs (in FTEE) needed to reopen those closed beds has decreased by 44.6% (from 260 on 9/30/82 to 144 on 12/31/82).

Question: What is the ratio of RNs to LPNs at VA facilities?

Answer: The ratio of LPNs to RNs in the VA is 3 LPNs to 10 RNs.

Question: How does this compare to private facilities?

Answer: The ratio for private sector hospitals is 2 LPNs to 5 RNs.

Question: What is the salary difference between an RN and LPN?

Answer: Using the average salary, the salary difference between RNs and LPNs was $8,958 as of 9/30/82.

PROFESSIONAL PROGRAMS

Question: How much are you requesting this year, both in terms of FTEE and funds, for special programs including special "professional programs"?

Answer: We are requesting an increase of 241 FTEE and $36,162,000 (includes $26,271,000 for equipment) to fund "other program improvements". These program increases, including one additional GRECC, unit dose bed conversions, two spinal cord injury home care units, increased ADP decentralization effort and more, will provide and improve system-wide modern medical care techniques. Total resources spent for all special "professional programs" would be impossible to identify as these programs have evolved to become accepted practice and ingrained in the overall medical care provided by the Veterans Administration.

Question: Are you meeting utilization standards for professional programs previously referred to as specialized medical services?

Answer: In Fiscal Year 1982, over 90% of the program units met the standards developed by the Veterans Administration Central Office program directors. Out of the 483 units in thirteen programs, fifty-seven units were determined to be underutilized by the responsible Central Office program director.

Senator Garn—Continued

Question: Please provide a listing of those professional programs by specific location now in operation and indicate the appropriate standard and utilization rates of those programs which failed to meet applicable Veterans Administration standards as of September 30, 1982.

Answer: The following is a list by program, standard and utilization rates, and the location of units that did not meet Veterans Administration productivity standards as of September 30, 1982:

Alcohol Dependence Treatment Program

Inpatient Standard: Bed Occupancy - 85%
Monthly Turnover Rate - 85%

Outpatient Standard: 1000 visits/professional staff/year

San Juan Outpatient Clinic
Birmingham Outpatient Clinic
Miami Outpatient Clinic
Manchester Outpatient Clinic

Cardiac Catheterization Laboratories

Standard: 300 patients per year (deviations not to exceed 30% authorized for education and research functions or remote location.)

Baltimore
Indianapolis
Madison
Martinez
Miami
Philadelphia
Pittsburg
San Juan
Syracuse

Cardiopulmonary By-Pass Surgery

Standard: 100 cases per year

Columbia, Missouri
East Orange
Indianapolis
Miami
Pittsburgh
San Juan
Washington, D.C.
West Haven

Computerized Tomograph

Standard: 2000 procedures per year

Bronx
Palo Alto

Drug Dependence Treatment Program

Inpatient Standard: Bed Occupancy - 85%
Monthly Turnover Rate - 85%

Outpatient Standard: 1,000 visits/professional staff/year

Albany
St. Louis
San Juan Outpatient Clinic

Hemodialysis Centers and Home Dialysis

Standard: 230 center treatments per bed per year and 1.5 patients per FTE funded for dialysis purposes.

Bronx (Borderline)
Buffalo
Philadelphia (Borderline)
Providence (Borderline)
San Diego

Hypertension Screening and Treatment Program

Standard: 800 patients on treatment roster, and 250 - 300 clinic visits per month

Seattle
Salt Lake City (Temporarily Closed)

Renal Transplant

Standard: 15 transplants per year

Boston
Denver
Hines
Iowa City
Minneapolis
Richmond
Salt Lake City
San Juan

Satellite (Self) Dialysis

Standard: 156 treatments/bed/year

Fort Howard (Borderline)

Sickle Cell Screening and Education Program

Standard: 1000 patients screened, educated and counseled per year

Boston
Bronx (Borderline)
Chicago Lakeside
Durham (Borderline)
East Orange (Borderline)
Jackson (Borderline)
Oklahoma
San Francisco
Shreveport
Temple (Borderline)
Tuskegee
Washington, D.C.
West Haven Borderline)
Wilmington

Spinal Cord Injury

Standards	- Long Term Case Patients:	Bed Occupancy - 80% Monthly Turnover Rate - 5%
	- All Other Patients:	Bed Occupany - 80% Monthly Turnover Rate - 30%

Question: How many professional programs, by type and location, were closed or activated in Fiscal Year 1982?

Answer: The following is a list, by program and location, showing four program units closed and fourteen unit activations in Fiscal Year 1982:

Units Closed: Drug Dependence Treatment Program

Albany

Renal Transplant

Indianapolis
Kansas City
Little Rock

Units Activated: Computerized Tomograph

San Francisco
Lexington
East Orange
St. Louis
Tampa
San Antonio
Memphis
Buffalo
Cleveland
Washington, D.C.
Oklahoma City
Kansas City
Pittsburgh

Satellite Dialysis

Chicago, West Side

Question: Do you plan to close down any programs in Fiscal Year 1983 or Fiscal Year 1984?

Answer: At this time, we are not aware of any anticipated program closures in Fiscal Year 1983 or Fiscal Year 1984. Program officials at local, district, regional and central office levels will continue to monitor unit effectiveness assessment utilizing data derived from internal and external review processes as well as the MEDIPP planning process. Recommendations for unit closures are based on these ongoing program review mechanisms.

Special Therapeutic and Rehabilitation Activities Fund

Question: Could you please provide for the record, a list of sponsors with which the VA has contractual arrangements to provide services for your Special Therapeutic and Rehabilitation Activities Fund?

Answer:

Robert Crook Lath Products
Lee Wyttenback
Walker Industries, Inc.
Clay Manufacturing Co.
Union Camp Corporation
Kurschner Industrials Sales
Rapids Welder Supplies
Dolphin Products
Robert-Sonnenburg
Helen Gulley Twirlers Square Dance Club
Printed Inc.
VFW Warner Auxiliary
VFW Post 212
Boy Scouts
Fastner House Inn
Pro-Set Anchor and Machine
Rockford Internation Inc.
Shakeproof Division
Hilter Division - Sealed Power Corporation
International Glide Manufacturing
Gates Manufacturing
Beniss - Jason Paper
Goodyear Tire and Rubber
Santa Fe Rail Co.
Satelite Communications
Berry Farms
Berry Binn and Building
Calcutta Ceiling Fans
Easter Seals
Heart Printing
Topeka Downtown Redevelopment
Aro-Sac Inc.
"V" Finish Furniture
Sun Futon
The Woodhouse
Country Furniture
The Woodworks
The Red Baloon
Deck House Construction
Middlesex Community College
Andrews Printing Co.
Millipore Corp.
Carr/TRW
Polaroid Corporation
Hooper Landscaping
H & H Lure Co.
Mid-South Container Corp.
Proctor & Gamble
VAMC Augusta
Mischard Inc.
Bennett Manufacturing Co.
Warmington Industries Corp.

Michaud Inc.
Centocor Inc.
Valley Forge Garage, Inc.
Penquin Industries, Inc.
Georgia Pacific, Inc.
A & T Manufacturing Co.
Analog Devices, Inc
Bay State Gas Co.
Stop & Shop, Inc.
Cardinal Cushing - General Hospital
Crawford Press Inc.
Electro Switch Corp.
Foot-Jog, Inc.
The Fosboro Co.
John Hancock Mutual Life Insurance Co.
The Hilsinger Corp.
Damon Corp.
George E. Keith, Co.
Morse Shoe Co. Inc.
Patton - Mac Guyer Co.
The Prudential Insurance Co. of America
Richler Shoe Co.
R&R Scheibe Co.
Texas Instruments, Inc.
Transition, Inc.
Samuel Word Manufacturing Co., Inc.
Warner Lambert Co.
Witt Equipment Co.
Bellofram Co.
Stauffers Hotel
Multiservice Corp.
Anne Marie Cafeteria
City of Bedford, MA
City of Concord, MA
City of Burlington, MA
Pewter Pot Restaurant
California State Automobile Association
Dann Services
Design Inc.
Dahlhouse
J & M Distributors
Europa Imports
Electronic Arrays
Food Machinery Corp.
Gary's Video Cassette
Hertel Co.
IRS
Individual Softwares
ISS - Sperry Univac
Kierweff Electronics
Carl Landman Co.

Senator Garn—Continued

Kellogg-Co.
Tom Wybranowski and Associates
VFW
Veterans Canteen Service
Roy Shirley
Great Western Manufacturing of Leavenworth
GNB Batteries
Kansas Easter Seal Society
Furniture Repair for Individuals
Goodyear
General Telephone
Hosptial Specialty
Hotwork, Inc.
IBM
P&S Products
Square Dance
University of Kentucky
Wabco
Visumatics
Ramset
Oakhill Industries
Lawrence Tufts Co.
Energetics Science Inc.
Herbst Brothers Inc.
Precision Valve Corp.
Spring Action Electric Co.
Toolkraft Corp.
University Products
Southworth Co.
Atari, Inc.
American Federation of Government Employees
James Cullen
Centurion Industries
Proline Lure Co.
McCollums Lure
ND Cass (Toy Manufacturer)
Pollard Studio, Inc.
Huck Manufacturing
Coates & Clark (zipper)
Dyneers, Inc. (plastic)
Eastern Virginia Medical School
Maida Electronics Corp.
Central Packaging
Pollard Studios, Inc.
Neoptics, Inc.
Secondary Services
All-Decor
Robert Beckerstaff Co.
Brooks & Curry, Co.
Butler Surveying Co.
City of Little Rock
City of North Little Rock
General Properties, Inc.
Lane Publishing Co.
M & M Imports
Metal Sales, Inc.
Mastercraft Pen Co.
Murphy Advertising
NEC Electronics Co.
N.J.R. Corp.
National Semi-Conductor
Plantromics Inc.
Pitman Learning Co.
Rolm Corp.
S.W. Simonds Corp.
Ther Paper Chase Co.
U.S. Geological Survery
Varian & Associates
Wes Corp.
Western Electric
Veterans Administration
Department of Interior
Main Furniture
Herr Warehouse Inc.
The Woodshed
Chanute AFB
B.A. Framer
Brook's Memorial Art Gallery
Dixon Galeryes & Gardens
Guardsmark, Inc.
Lee Orthopedic Supply, Inc.
Memphis Art Academy
Memphis Arts Council
Memphis Humane Society
National Ornamental Art Museum
Opera Memphis
The Pink Palace Museum
Nancy Powers, Inc.
Sundown Industries Corporation
Sandy Packing Co.
Bloom Brothers
VFW
Jonti-Craft Co.
Sport Fun, Inc.
U.C.L.A., Associated Students
United States Sales Corp.
Valley Distributing Co.
VA Medical Center Brentwood
VAMC Outpatient Clinic Los Angeles
VAMC Sepulveda, CA.
Van Nuy Airport - Optimist Club
John Aid
Boyles Drilling
Carl Butter
Caldwell & Associates
Chromaloxx (Division of Emerson)
Robert Francis
General Electric

Senator Garn—Continued

- Human Developments Associates
- Jacuzzi Brothers Inc.
- Marlar Engineering Co.
- Museum of Science and History
- Southern Farmers Association
- Shaw Surveying Co.
- John M. Shields Co.
- Wilks Engineering Co.
- Windsor Door Co.
- Geotek Engineering
- Getty Oil Co.
- Glass-Tec Corp.
- Gulf Oil
- Hickerson, Whitson & Associates
- Huddleston - Corlew Engineering
- Jersey - Miniera
- Joy Manufacturing
- Kentucky Prince Coal Co.

- Arrow Frame Co.
- American Lung Association
- Bataca Inc.
- Delta Lethograph Co.
- Heritage Mint, Lt. D.
- Hopkins Engineering Co.
- Kavlico Electronics Corp.
- Mobile Fidelity Sound Lab
- New Horizon Workshops
- Pickwick Book Co.
- Prudential Insurance Co.
- Royal Enterprises
- Scepter Manufacturing Co. LTD
- VA Employees Association
- VA Medical Center Murfreesboro
- Westcol Corporation
- Yours Truly
- Academy Antiques
- Arnette Galleries
- Ivie Antiques
- Berger Industries
- Regents Sports
- Arrow A.D.V.
- Betsy Ross
- Instrument Systems
- Rolscreen Manufacturing Co.
- R & D Cable Corporation
- Michaud, Inc.
- Adventures in Health
- SCB Co.
- Veterans on the Job, Inc.
  - VAMC West Los Angeles, CA
  - VAMC Sepulveda, CA
  - Los Angeles, OPC
  - Santa Barbara, OPC
  - VA Regional Los Angeles
- Stephan Shannon
- Kenwill Co.
- John Mankin
- Mt. Zion Baptist
- Murfreesboro Electric Department
- Bailey Realty
- Dallas Cook
- G.R.C. Exploration Co.
- Gospel Businessmen's Fellowship Internation Murfreesboro Chapter
- N.J. Zinc Co.
- Oglebay Norton Co.
- Penn Power Light
- Procon Products
- Weatherford Farmers Cooperative
- United Cities Gas, Co.
- Stock Exchange of Murfreesboro
- VA Building Management
  - VAMC Murfreesboro
- Denney Rayburn Co.
- Allied Nut & Bolt Co.
- Universal
- Vicom Industries
- Air Techniques
- Aero Flex
- Merrill Lynch
- Furniture Repair
  - 165 individuals
- Hopkins Engineering Co.
- Tubed Products
- Westside Supply
- Los Angeles Mental Health Association
- Individual Horticulture Contracts - 8
- Individual Office Machine Repair Contracts - 10
- Coulson Enterprises

SPINAL CORD INJURY

Question: How much are you requesting to improve SCI independent living centers?

Answer: No additional funding is requested for independent living. $420,000 is requested to support the SCI Home Care Units.

Question: How many veterans will be able to transfer from SCI units in hospitals to the home care and independent living centers?

Answer: There is no experience with independent living centers yet. Home care units accept enrollment of patients who reside within 50 miles of the VAMC. Approximately 100 patients are enrolled yearly in this program.

Question: Will there be corresponding reduction in the inpatient care costs for SCI patients or will the beds of the transferring patients be filled with new patients?

Answer: There will be no reduction in inpatient costs because the SCI centers are treating a greater number of patients. The average occupancy rate in the SCI Service has declined from 83% in 1977 to 78% in 1982. The turnover rate has increased from 39% to 49% in the same period, while the number of admissions has increased from 5503 to 6164 during that time. This obvious shortening of hospital stay and increased efficiency is greatly due to the home care units which make earlier discharge possible.

Question: What percentage of the NSC SCI are work related or caused by a negligent third party?

Answer: No data has been collected on this category, but it is considered negligible.

Question: What percentage of SCI veterans are covered by workers compensation or other third party insurance?

Answer: No data has been collected on this category, but it is considered negligible.

Question: How does the cost for SCI compare to other VA Hospital care both in terms of per diem costs and total costs per patient?

Answer: Each service has different per diem cost in each VAMC. The per diem cost of SCI is lower than the average of the other services, since during acute periods, SCI patients are transferred to ICUs and surgical or pulmonary services where the per diem cost is higher. The total costs of SCI care per patient are higher than other categories because of the longer average stay.

Question: How many non-veterans are provided care in VA SCI centers?

Answer: 105 or 1.5% in the last 6 years.

Question: Do you recover the reasonable value of such care?

Answer: Yes, West Roxbury has had the most experience with the non-veterans and their collection record is close to 100%.

Question: How many days of care did you provide to non-veterans in 1982?

Answer: 1213 at West Roxbury.

Question: How much did you recover from them?

Answer: 100%

Question: Last year, Dr. Custis said that there is a high incidence of non-service connected care in VA's SCI centers. How many non-service connected veterans are provided care in SCI centers?

Answer: Of a total of 16,280 patients treated in the VA in the last 6 years, 54.9% were non-service connected or 8938.

Question: How many days of care did you provide them in 1982?

Answer: 212811 in the SCI centers only.

Question: How much of these costs were recovered?

Answer: There is no recovery of costs incurred for service connected or non-service connected unless it is directly related to workman's compensation and personal injury cases which represent a negligible number.

Question: What was the net cost to the VA?

Answer: The average per diem cost at SCI centers in 1982 was $153 for medical care. The total cost was $32,645,079.

UNIT DOSE DISPENSING OF DRUGS

Question: Last year, you testified that by the end of FY 82, the VA would have 88 of your pharmarcies from the "ward stock" system to the "unit dose" system and that at the end of FY 83, you may have as many as 54,000 beds converted. What is the current status and your plans for FY 84?

Answer: Including the support funding received in FY 82 and FY 83 for the unit dose conversion, the VA should have completed 98 facilities — 55% -- representing 46,116 beds -- 66% -- by the end of FY 1983. The VA plans to convert an additional 12,342 beds to unit dose in FY 1984. This will require 432 FTEE representing $11,250,000 and equipment costs of $3,795,000 for a total of $15,045,000 for the year.

Question: What resources do you intend to devote to the program in FY 84?

Answer: The VA budget request in FY 84 for 190 FTEE representing $4,948,000 will convert only 5,510 beds to unit dose. The equipment cost of $3,040,000 made the total budget request $7,988,000 for the year. An additional 242 FTEE representing $6,302,000, along with equipment costs of $755,000 provides a combined total of $7,057,000 to convert 6,832 beds. These additional resource requirements will be made available through reassignment and/or realignment of internal FTEE and funding support to convert the 12,342 beds planned in the FY 1984 budget.

READJUSTMENT COUNSELING SERVICES

Q: What is the level of funding that is proposed for the Readjustment Counseling Program for FY 84?

A: $31.4 million.

Q: How many Vet Centers will this support?

A: At the present time, these funds will support 136 Vet Centers.

Q: What portion of these funds will be for fee-for-service readjustment counseling for those veterans who cannot receive this counseling through Vet Centers?

A: $11.2 million is earmarked for the fee-for-service program.

Q: Please provide a comparison of the number of FTEE, intramural and contract funds and number of Centers for FY 82, FY 83, and FY 84.

A:

FY	FTEE	Intramural	Contract Funds	Number of Vet Centers
82	544	$19.5 million	$ 8.7 million	135
83	552	$20.2 million	$11.2 million	136
84	552	$20.2 million	$11.2 million	136

READJUSTMENT COUNSELING - FEE FOR SERVICE PROGRAM

Q: On November 16, 1982, Senator Cranston sent the VA a letter posing certain questions about the Readjustment Counseling Program. Could you please provide a copy of your responses for the record?

A. Our responses to Senator Cranston's questions are attached.

LETTER FROM SENATOR ALAN CRANSTON

November 16, 1982

Dr. Donald L. Custis
Chief Medical Director
Department of Medicine and Surgery
Veterans' Administration
810 Vermont Avenue, N.W.
Washington, D.C. 20420

Dear Don,

As you know, as the author of the readjustment counseling legislation, I have a long and abiding interest in the Veterans' Administration's implementation of that authority. The facet of the readjustment counseling program that has experienced the greatest difficulty in getting underway has been the fee-for-service component, and I am writing to request information on that part of the program.

Specifically, I would appreciate receiving your responses to the following questions and requests.

1. With reference to fiscal year 1982:

   A. How many fee-for-service readjustment counseling contracts were entered into by the agency?

   B. What was the total dollar amount expended through these contracts?

   C. How many veterans and how many others eligible for services by virtue of their relationship to eligible veterans were provided counseling through these contracts?

2. With reference to fiscal year 1983:

   A. How many fee-for-service contracts are in existence at present and how many are planned to be awarded?

   B. What is the estimated total dollar amount that will be expended through such present and planned contracts in this fiscal year?

   C. What are the projected numbers of veterans and others eligible for services by virtue of their relationship to eligible veterans who will be provided counseling through fee-for-service contracts in this fiscal year?

   D. Do you anticipate that any individuals otherwise eligible to receive readjustment counseling services on a fee basis will be denied such services because of insufficient funds to support the level of demand either nationwide or in a particular geographic region? If so, to what extent and where?

   E. To the extent that the agency will be unable to expend the full $11.2 million earmarked for fee-for-service readjustment counseling, what use will be made of the remaining funds? When will that decision be made and based on what criteria?

3. With reference to selecting entities or individuals with whom to enter into contracts for the provision of fee-for-service counseling:

   A. What criteria are used for evaluating a prospective contractor's professional capability to provide readjustment counseling services?

B. What criteria regarding distances from existing Vet Centers or other fee-basis providers are utilized? (In this regard, in a June 17, 1982, letter to me, former Deputy Administrator Charles Hagel described the agency's use of the fee-basis authority as being "in areas where there are no VA facilities or Vet Centers"; nevertheless, the list of contractors enclosed with that letter included a number apparently located in areas -- such as Cincinnati, Cleveland, and Denver -- that are served by one or more Vet Centers.)

C. Please describe the contractor-selection process and indicate the role of regional and local Vet Center program personnel in that process.

4. What do the contracts specify regarding the need for specific referrals of individuals by the VA and the circumstances under which the contractor may provide follow-up mental health services for the treatment of a disability? In this latter respect, what determination would be required, and who would make it, in order to authorize the VA or, if appropriate, a contractor to provide mental health services after readjustment counseling?

5. With reference to the management of fee-basis contracts:

A. What VA entities are responsible for monitoring contractor performance?

B. How often and in what manner is a fee-basis contractor's performance monitored to ensure that all individuals for whom billing is submitted are being provided the level of services specified, that the quality of such services is adequate, and that the contractor is complying with the terms of the contract?

C. What process will be followed and what evaluation information will be used in deciding upon contractor renewals?

6. In addition to your responses to the above questions, please provide copies of all circulars or other guidelines that have been issued relating to the fee-basis readjustment counseling program, including documents addressed to prospective and current contractors and documents directed to agency personnel, and a copy of any formats being used for fee-basis contracts.

Don, I remain fully committed to the overall readjustment counseling program as well as to an appropriate contracting-out effort, and I write this letter in that spirit. I am well aware of the circumstances relating to the agency's efforts to implement the fee-basis portion of the readjustment counseling program. Certainly, there must be a mechanism by which otherwise eligible Vietnam-era veterans who cannot receive readjustment counseling services at Vet Centers can be provided such services. That was Congress' intention in providing for the contracting authority. It is equally clear, I'm sure you will agree, that the mechanism employed for this purpose must be developed and monitored carefully so as to ensure that it is meeting the intended goals. As with any new undertaking, the viability of the contracting-out effort depends on the prudence and foresight with which it is implemented. It is from this perspective that I am writing today.

As always, I greatly appreciate your continuing cooperation and assistance.

With warm regards,

Cordially,

Alan

Alan Cranston
Ranking Minority Member

LETTER FROM DONALD L. CUSTIS, M.D., CHIEF MEDICAL DIRECTOR

JAN 14 1983

Honorable Alan Cranston
Ranking Minority Member
Committee on Veterans Affairs
United States Senate
Washington, DC 20510

Dear Senator Cranston:

Thank you for your inquiry of November 16, 1982, concerning the Readjustment Counseling Fees/Contracts program. You will find responses in the order in which your questions were presented in your letter.

As of September 30, 1982, there were 397 contracts awarded for the Readjustment Counseling Fees/Contract program, accounting for $850,792 in obligations to provide services for 985 veterans. This amount is only for services provided before September 30, 1982, and reflects the fact that the program did not get underway until late fiscal year 1982. The number of visits by others eligible for services by virtue of their relationship to the veteran seen is not available.

Because the existence of the program is gradually becoming known to prospective providers, our plan is to encourage local facilities which do not yet have an adequate number of awarded contracts to issue further Requests for Proposals (RFPs). We cannot at this moment project how many RFPs will be issued on the basis of locally determined need, nor can we yet project the number of acceptable proposals which will be received. Our intent is to keep the program open for additional providers while carefully monitoring available funds and quality of services, to provide a basis for ongoing and future program decisions. The number of contracts awarded as of December 25 was 422.

Several factors affect our ability to predict the extent of the utilization of the available appropriation for Fiscal Year 1983. First, the Fee/Contract program has not yet reached full operation. Second, new operating procedures were issued in December 1982, along with a revised prototype Request for Proposal (RFP) to be used for initiating new contracts.

We expect by late January or February 1983 to determine a projection for funds utilization during Fiscal Year 1983. With that projection, recommendations will be formulated for the utilization of any unused funds on the basis of service needs for readjustment counseling within the Vet Center system and closely related needs for Vietnam veterans readjustment counseling.

New detailed criteria for evaluating a prospective contractor's professional capability to provide readjustment counseling services are outlined in the new program protocol, which is enclosed.

Determination of geographical areas of need is made by 122 local contracting committees which include Vet Center team leaders and counselors and other appropriate professional staff members. This determination is made according to geographical distance of target populations from existing Vet Centers and also according to high population concentrations in urban areas which result in inability of existing Vet Centers to adequately serve the urban population. The July 17, 1982, communication from the former Deputy Administrator did not mention the latter factor.

Local contracting committees are established at each of the 122 facilities under the chairmanship of the Supply Officer. Each contracting committee must include, at a minimum, one Vet Center team leader and one Vet Center counselor unless otherwise specifically authorized by the Outreach Regional Coordinator because of prohibitive geographical distance between the nearest Vet Center and the contracting VA Medical Center. In such cases, alternate members of the contracting committee must be designated by the Outreach Regional Coordinator. In addition, the Contracting Officer's Technical Representative (COTR) must either be the nearest Vet Center Team Leader or an alternate designated by the Outreach Regional Coordinator. The attached Operating Instructions for the program indicate the details of these requirements and responsibilities.

Detailed instructions for the referral procedures are described in the attached Professional Services Letter IL-11-82-26 and also in the attached revised program RFP. The question of follow-up mental health services is a complex professional issue which is currently under study.

The Contracting Officer's Technical Representative (COTR), who is the nearest Vet Center team leader or his designated alternate, is responsible for monitoring the contractor's performance.

According to Operating Instructions recently distributed, after an initial three visits and then again after each succeeding unit of 15 visits, the contract provider must submit a treatment plan for review to the original VA referror (who may be a Vet Center staff member or a VA Medical Center professional staff member). Review of these treatment plans by the original referror provides in all cases a mechanism for ongoing assessment of adequacy of treatment being provided. Questions concerning adequacy of treatment are to be referred to the designated case manager—who is either the Vet Center team leader or his designated alternate—who will conduct an appropriate professional review of the quality of services provided.

The current plan calls for review of a contractor's performance according to the evaluation criteria attached, if and when the provider applies for renewal of contract. This provides for an automatic detailed examination of the contractor's work conducted with Vietnam veterans under the existing contract and prior to the initial award in 1982. A further mechanism for review of the quality of services offered is currently being formulated and will be in place by the time the first contracts are ready for renewal in the Spring of 1983.

I appreciate your continuing concern with the implementation of this program. The inevitable problems and complexities of instituting an innovative program of services such as this seem to be well on their way to resolution.

Sincerely,

DONALD L. CUSTIS, M.D.
Chief Medical Director

ADEQUACY OF COST RECOVERY RATES

Question: In a December 16, 1981 report, GAO stated that the Government was failing to recover the "reasonable value" of care provided to veterans from negligent third parties.

What are your current per diem rates for in-patient care and outpatient visits?

Answer:	
GM&S services	$315.00/day
NP services	$195.00/day
NHCU	$119.00/day
Outpatient visits	$ 65.00/visit

Question: How often are these rates adjusted?

Answer: "From time to time" by OMB, according to provisions of Executive Order 11060 dated 11/7/62. The VA submits information annually to OMB for use in revising these per diem billing rates.

Question: What are you doing to assure that these rates reflect the value of the care provided?

Answer: The method of computing charges for VA medical care assures that the rates reflect the value of care provided. Charges are based on the VA Cost Distribution Report which sets forth the actual basic costs and per diem rates by type of inpatient care and outpatient visit. Factors are added for depreciation of buildings and equipment, Central Office overhead, interest on capital investment, and standard fringe benefit costs covering Government employee retirement and disability expenditures. The current year billing rates are projected on prior year actual costs by applying the budgeted percentage increase with an additional allowance for the civilian pay raise.

Question: About 25% of the patient days of care in VA hospitals are for extended — or non-acute — hospital care.

Are the costs of extended hospital care included in computing VA per diem rates:

Answer: Yes

Question: What effect would there be on VA cost recovery rates if extended hospital care were not included in computing per diem rates?

Answer: If extended hospital care were not included in the computation of per diem rates, the per diem rate for GM&S and for NP services would increase.

Actual hospital obligations, average daily census and per diem costs by bed section for FY 1982 were as follows:

FY 1982

	Census	Hosp. Oblig.	Per Diem
Medical	22,758	$1,964,194	$236.46
Surgical	12,323	1,201,887	267.21
Psychiatric	20,395	975,395	131.03
Intermediate care	9,418	367,365	106.87
	64,894	$4,508,841	$190.36

A combined per diem cost for Medical and Surgical is $247.26 vs. $106.87 for intermediate care. The per diem cost for Medical and Surgical is almost 30% higher than the total for all bed sections.

If billing rates were to be based on only acute care costs, the rates for acute care could be expected to increase in a similar proportion over the total now computed. At the same time, a separate billing rate would have to be computed and established for intermediate level care.

RECOVERY OF COSTS FOR MEDICAL TREATMENT TO VA EMPLOYEES

Question: On October 26, 1981, you announced the initiation of a collection procedure to recover the costs of medical treatment given free to VA employees who said they couldn't afford private treatment of nonservice-connected conditions.

What is your estimate of the number of VA employees who were treated free of charge by the Veterans Administration?

Answer: The Inspector General identified 3,284 VA employees who received hospital treatment for nonservice-connected disabilities during Fiscal Year 1977.

Question: How many of these would you think are eligible for such nonservice-connected treatment?

Answer: Based on the Inspector General's audit, 2,819 were eligible for care.

Question: I noticed in your press release that you emphasized that the VA must "clean our own house first". I consider that a commendable first step.

Since the announcement of that effort, how much money has been recovered from these employees?

Answer: To date, approximately $22,000 has been collected.

Question: What procedures has the VA put into place to assure that non-eligible individuals do not receive treatment at the expense of the Government?

Answer: We are presently developing regulations which will provide a method of determining certain nonservice-connected veterans' inability to defray the cost of medical care. When such a regulation and related procedures are developed, they will only be applied to those nonservice-connected veterans who are not exempt from affirming their inability to defray by statute.

COST COMPARISON BETWEEN VA AND COMMUNITY HOSPITALS

(Clerk's note.--The following paragraph that preceded the question on the validity of the GAO assessment was inadvertently omitted from the VA's responses and has been inserted here.)

Question: A recent GAO report prepared for Senator Cranston concluded that results of VA's medical care cost comparison studies were not valid. VA conducted these studies to prove that its hospitals could provide an episode of acute medical or surgical care less expensively than community hospitals. However, GAO found that the studies had data limitations, methodological flaws, questionable assumptions and errors which negated their usefulness. GAO recommended that VA not use the results of these studies as a basis for any decisions regarding whether to treat veterans in community or VA hospitals. Do you agree with GAO's assessment of the validity of the studies?

Question: Do you agree with GAO's assessment of the validity of these studies?

Answer: We do not agree with GAO's assessment of the study. This agency does not have a fully implemented cost accounting system, however, data used is as accurate as data gathered by other methods. We have been quite vocal with GAO, in the past, of the lack of common definition in computing per diem rate and comparing the VA's cost of operations to other medical facilities or systems. We would be remiss if we did not point out that the VA medical per diem is all inclusive, i.e., room and board (hotel cost) laboratory test, x-rays, medications, physicians, consultants, etc. The private/public sector per diem is normally based only on hotel cost.

Question: Do you plan any more cost comparison studies?

Answer: We are considering the merit of another study. We are presently revising two of our major report systems, the Patient Treatment File (PTF) and the RCS 14-4, Cost Comparison Reports. The revisions will provide an avenue to better compare the VA medical system with others. Until the revision is accomplished, we will not start another review.

Question: Why did you conduct these studies?

Answer: The studies were conducted due to the controversy arising over the construction of the Portland VA Hospital?

Question: What use have you been making with the results of the studies?

Answer: Data from the studies have been used in an attempt to compare VA operations with the private/public sector. However, it has been difficult to obtain data needed for an indepth analysis, i.e., Pathology/Laboratory, Radiology, Pharmacy, etc.

DUPLICATE MEDICAL PAYMENTS BY VA AND MEDICARE PROGRAMS

Question: In previous hearings we have discussed the problem of duplicate payments for medical services between VA and Medicare. Because some veterans are eligible for more than one Federal health care program, a hospital's or physician's services may be paid for more than once.

What is the status of the coordination effort between the VA and the Department of Health and Human Services for processing claims to prevent duplicate payments?

Answer: The coordination effort between the VA and the Department of Health and Human Services has been started. The first VA fee tapes were sent to Health Care Financing Administration in Baltimore on February 15, 1983. The DPC will continue providing such tapes on a recurring basis each month.

INABILITY TO DEFRAY MEDICAL EXPENSES SAVINGS

Question: Section 401 of Public Law 96-330 authorized VA to "go behind" the oath of inability to defray the cost of medical care. It was estimated that VA could save $109 million in 1981.

If the oath has affected VA's ability to look at ability to pay, on what basis has VA's IG looked at the ability of VA employees to defray the cost of care?

Didn't those employees sign that same oath?

Answer: The IG had access to VA employee's records which indicate their annual salaries and their health insurance coverage. Collection efforts were pursued on the basis of possible fraudulent applications for care.

Question: Has VA promulgated any regulations defining "ability to defray medical expenses"?

Why not?

What has been your experience with the application of Section 401?

Answer: The second submission of a proposed regulation to implement Section 401 of P.L. 96-330 was sent to the OMB for approval on 12/1/82. In a letter to our General Counsel, dated 1/17/83, the OMB suggested some changes in our proposed regulation. The Agency is taking those suggestions under consideration.

HOSPITAL STAFFING RATIOS

Question: Last year, you estimated that the number of employees per patient in VA hospitals for 1983 would be 2.24.

What do you now expect it to be in FY 83 and what is your projection for FY 84?

Answer: We expect the number of employees per patient to be 2.25 in FY 83 and project 2.27 employees per patient census in FY 1984.

Question: Last year, I asked you what would be an ideal level and when would you, under your current plans, be able to achieve that level. Dr. Custis stated that he expected to have valid criteria concerning 89% of all of your health care personnel by October or November of 1982.

Have you developed these criteria?

Answer: We will not reach our goal of 89%. There has been a one-year slippage in the criteria setting effort. To date preliminary criteria has been established for Radiology, Audiology and Speech Pathology, Pharmacy (excluding unit dose and administrative functions), and Dietetics (excluding clinical dieticians). The first reporting period workload collection is scheduled for June 30, 1983. At that time we will be able to indicate what the staffing requirements are for these four services. With the revised schedule we would have criteria for 85% of the medical center functions by December 1983.

Question: Please present these staffing values for the record and indicate what your current staffing levels are for each of these specialities.

Answer: The preliminary staffing criteria for the four finished functions are attached.

(Clerk's note--The requested information has been received and is being held in the subcommittee files.)

MEDICAL CARE IN THE TERRITORIES

Question: The authority to fund non-service connected medical care in the Territories, Commonwealth and Possessions of the United States expire on September 30, 1983.

What is the Administration's position on re-authorizing this authority?

Answer: On February 14, the VA formally submitted to Congress a draft bill which would extend for an additional three years—

through September 30, 1986--the VA's expiring authority to provide contract hospital care, and outpatient care that will obviate the need for hospital admission, to certain veterans in Puerto Rico and the Virgin Islands. This proposal is contained in S. 578 and is intended to assure continuation of necessary care to those veterans while long-range solutions are addressed.

MEDICAL ELIGIBILITY, AGE 65 AND OVER

Question: Veterans age 65 or over are eligibile for free care at VA facilities. As World War II and Korean War veterans reach age 65, the percentage of the total 65 and over population eligible for VA care will increase. Most of these veterans will also be eligible for Medicare.

What actions have you taken to insure that VA, the States and HHS are not planning to meet the needs of the same veterans?

Answer: The VA has worked closely with representatives of those States that have State Veterans Home programs to coordinate planning to meet veterans' needs. Planning with HHS has not been directed specifically to preclude both agencies from planning to meet the needs of the same veterans. Although we do not believe this is a problem, many veterans now have dual entitlement. It is unlikely that a large percentage of that group apply to both agencies for necessary medical care. Those who are unlikely to be able to provide payment for deductible or co-insurance probably apply to the VA.

Question: When veterans age 65 or over were given eligibility for free VA care, it was on the assumption that VA care would be cheaper than Medicare.

What cost comparisons have been conducted to verify that this assumption is still valid?

Answer: Cost comparison studies have been done but not specifically identifying veterans age 65 or over. The first attempt at cost comparison was done in 1977-78, however more recently in 1982 (VA Cost Comparison Study). Although GAO has challenged the methodology, we feel comfortable with the outcome of the study with the data sets available. As methods improve to track available data, we will further refine cost comparisons.

Question: Medicare and Medicaid both have co-payment and/or spend down provisions.

Has VA studied the feasibility of instituting such provisions for VA care. What would the estimated cost savings be to the VA if such a change was implemented?

Answer: The VA has considered the co-payment and/or spend down provisions of Medicare and Medicaid but has not studied the feasibility of instituting such provisions for VA care. The VA does not have the extensive caseworker force available to Medicaid programs to effectively administer an asset information collection and verification program that would be required for a system involving spend down provisions. The 1983 Appropriation Bill contained $500,000 for DM&S to do a user fee study. The protocol is being prepared for early announcement in Commerce Business Daily. Such matters as deductible and co-insurance will be considered for total population at risk.

OUTPATIENT FEE VISITS

Question: Your projections for outpatient fee visits for FY 84 shows a decrease of 84,000 from your FY 83 estimate.

How do you account for this change, given the overall increase in outpatient visits in the system?

Answer: Reductions in fee-basis outpatient care have already been accomplished by implementation of improved, computer-assisted procedures to monitor the need to continue such care previously authorized. Further reductions will be accomplished by new policies now in the process of implementation. Among these policies is the requirement that each facility authorized to provide fee-basis outpatient care establish a new advisory group to assist the facility's director with the management of this program to insure the provision of appropriate care for the medical needs of veterans eligible for fee-basis outpatient care with the resources available. Another requirement will be that VA physicians develop a treatment plan, with a specified number of visits over a specified period of time, for each veteran who is authorized a new episode of fee-basis outpatient care. Implementation of our new policies is to supplement our continuing efforts over the years to improve administration of this program. The modest reduction of 156,196 fee-basis outpatient visits achieved in FY 82 (FY 81 - actual visits: 2,104,486 vs. FY 82 - actual visits: 1,947,290 supports our conclusion that the estimated reductions projected for FYs 1983 and 1984 can be accomplished.

CONTRACTING OUT

Question: Public Law 97-66, approved October 17, 1981, prohibits preparation of contracting-out studies in the VA Department of Medicine and Surgery unless funds are specifically appropriated for that purpose. Funds were not appropriated for 1982, and none are anticipated for 1983.

Have you requested funding for contacting-out studies during FY '84?

Answer: The President's FY 1984 request includes $758,000 to be used to conduct selected studies in accordance with OMB Circular A-76. This level of funding will not permit a broad scale implementation of the contacting-out program.

Question: Would such studies be of value to the VA in its planning efforts?

Answer: Aside from providing us a broad scale perspective on potential economies, we do not expect the contracting-out studies to materially assist us in developing plans. Of course, Public Law 97-306, Section 409 prohibits wholesale contracting-out of VA direct medical care activities.

RESOURCE ALLOCATION

Question: Last year you testified that you were testing three resource allocation possibilities (p. 133). Have you made a decision to change the way resources will be allocated to VA medical centers?

Answer: We have constructed a simulation model to reorganize the method of DM&S resource allocation. The model is being refined and further developed at present.

Question: What are the major factors that will be considered in the distribution system and what relative weight has been assigned to each?

Answer: Our new resource allocation system is based upon the concept of the Weighted Work Unit, which is generally defined as weighted value per unit of service. Weighted work units have been matched against average lengths of stay for all VA discharges for Fiscal Years 1981 and 1982, and values were assigned thereby to establish "norms" or trim points for each such discharge. A range of norms will be the basis for funding local facilities by type of discharges reported. The aggregates will formulate the basis for funding the facility's primary medical care allocation for inpatient services. Other models are being formulated to address resource allocation for long-term and ambulatory care, and other costs (research, education, etc.) will be allocated based on other measures of local need. Pending further development, these needs are to be met by "pass-through" allocations, based on prior year assumptions and overall budget climate.

This unprecedented change will begin to occur in Fiscal 1985, but will be implemented incrementally over a 3-5 year period, in order to avoid the necessity for radical resource shift in any one year.

Implementing this new model is one answer to the dilemma of motivating innovative local health care delivery techniques. We hope it will also respond to what appears to be a rapidly migrating treatment population.

Question: Will the new resource allocation system result in a redistribution of resources among medical districts and facilities or will it enable you to reevaluate overall resource needs?

Answer: We hope this system will enable us to both redistribute resources where the need is greatest, as well as promote a continuing evaluation of resource needs in several different dimensions. As mentioned previously, implementation of this system will respond to shifting demand and migration, which has accelerated toward the South and West in recent years. Shifting resources will cause an evaluation of need, both at sites receiving supplementary resources because of increased demands, and at those giving up resources because of declining treatment populations. This system will also react to facility mission changes brought about by the MEDIPP planning process, and should give a real impetus to local planning, since in effect resources will be tied directly to planning decisions enacted by district planning boards.

TREATMENT OF INELIGIBLE PERSONS

Question: In our FY 82 Committee Report, we noted that the VA, according to a GAO report, continues to incur substantial costs in the treatment of ineligible persons at VA medical centers. As a result of those GAO findings, the Committee directed the VA to establish a central list of all persons determined to be ineligible for medical benefits and to provide that list, periodically updated, to all VA medical centers.

What has the VA done to comply with this Committee directive?

Answer: After a thorough review of the BIRLS (Beneficiary Information and Record Locator Subsystem), it had been determined that ineligible veterans are identified in this system. On July 22, 1982, a request was sent to Senator Garn requesting that the requirement to publish and periodically update a central list of persons known to be ineligible for VA medical care be withdrawn.

Question: What estimates can you give us as to the amount of money that might be saved if such ineligible persons are excluded from medical care.

Answer: There are approximately 36 million prime records in BIRLS of which approximately 8900 are known ineligibles. These BIRLS' records are constantly being monitored and the list of ineligibles are updated. The department actively makes every effort to determine a patient's eligibility from the time he first applies for hospital care, to a checking of the BIRLS file, and if necessary, a final adjudication of the veteran's records. Estimates are not available nor are data available to develop an estimated cost avoidance if ineligible veterans who have received VA medical care are identified and excluded.

VA
LENGTH OF STAY

Question: Extensive efforts are being made in the private sector to reduce hospital lengths of stay. It is common knowledge that lengths of stay are appreciably longer in the VA than in the private sector. Why do similar patients stay longer in VA hospitals than in private hospitals?

Answer: It is true that the overall length of stay is greater in the VA than in the private sector. This difference occurs because the private sector lengths of stay are reported predominantly for an acute care system whereas the VA has both an acute and long term care component. The VA long term component includes psychiatry, spinal cord injury, and intermediate medicine patients that are not generally reported in private sector lengths of stay.

It is not necessarily true that patients with similar conditions stay longer in VA hospitals than in private hospitals. Though a length of stay analysis by condition is not currently available, there are many factors unique to the VA that tend to increase the length of stay. Approximately one third of those treated in VA hospitals are service-connected veterans. These individuals are on the average less healthy and stay longer. Even when being treated for a non-service connected disorder, the service-connected condition often compounds the problem. Though the general population is an aging population, the veteran population is aging much more rapidly and is significantly older. Since length of stay increases with age, the older veteran population would be expected to have longer lengths of stay. Since the veteran population is predominantly adult male, the VA health care system does not have the length of stay shortening that is attributed to obstetrics/gynecology and pediatric cases. Finally, the VA probably receives a higher proportion of admissions from nursing homes and other hospitals than does the private sector. This type of patient usually requires a longer length of stay than the average patient.

The fact that many of our patients travel considerable distance between the VA hospital and their home, are seen by physicians who are unfamiliar with them and their previous medical problems, and lack family or social support systems which would at times allow for an earlier discharge, all contribute to making direct comparisons with the private sector extremely difficult.

The private sector makes many decisions from a purely economic or profit motive. If the surgical workload in a civilian hospital justifies running two O.R. personnel shifts, then they hire the personnel to do it. In the Veterans Administration, which is limited by personnel ceilings, this is not always possible. The private sector also places a greater amount of resources in the area of diagnostic capability with the goal of delivering most requested diagnostic workups within 24 or 48 hours.

Nevertheless, a selective review of VA hospital discharges in one DM&S region shows the following, when compared against discharges with the same diagnoses in private facilities in the State of New Jersey:

Diagnosis	Average VA LOS	AVG LOS PVT FAC
Circulatory System Diseases	11.8	8.6
Blood, Immunity Disorders	10.0	8.4
Poorly Differentiated Malignancy	8.6	7.0
Infections, Parasitic Diseases	9.0	7.5

As can be observed, some VA discharges compared quite favorably with those in the private sector, even considering the VA's older, sicker, less educated, and less affluent treatment population.

Question: Do lengths of stay vary appreciably between VA hospitals? Why?

Answer: Yes, lengths of stay do vary between VA facilities, between VA medical districts, and between VA regions. There are a number of explanations for these variations, including differences in missions, geography, demography, facility capacity and capability, and the demand patterns of our patients.

Question: What incentives do VA hospitals have to reduce lengths of stay?

Answer: The annual federal budget formulation provides one indirect incentive to motivate more efficient hospital management, including the management of lengths of stay. Facility directors have traditionally been subjected to an internal budget hearings process to defend and justify their requested budgets.
The MEDIPP process, which places a heavy responsibility on Medical District Executive Councils, is designed to ensure the cost-effectiveness and defensibility of budget items. Also, each facility fosters an active Health Services Review Organization/ Quality Assurance Program which provides an active bed utilization/length of stay review mechanism to ensure proper professional management of scarce resources. Finally, the Department has strengthened its Systematic External Review Program, which gives all levels of management a continuing picture of the changing state of medical care delivery in DM&S. Taken together, these influences focus attention on areas which need improvement, and provide the opportunity to implement necessary changes. There is at least a one-day drop in length of stay between the FY 1981 and 1982 Resource Allocation Study.

Question: Can methods used by the private sector to reduce lengths of stay such as those used by PSRO's, be applied to VA? If not, why?

Answer: Some the private sector's methods are used. Although the VA was exempted from complying with PL 93-641, we have adopted an internal Health Services Review Organization (HSRO) process to evaluate, on a "peer review" basis, VA bed utilization and length of stay. Also, all our facilities participate actively in local HSA's and/or SHCC's, so much of the perspectives gained thereby are carried forward in local and district VA operations.

Question: What does VA Central Office do to monitor lengths of stay?

Answer: We traditionally have relied upon the judgement and expertise of facility management personnel to execute VA medical programs. This process will continue in a more structured way with implementation of MEDIPP, which we believe will respond adequately to many of the Committee's concerns about length of stay. A central scheme to monitor length of stay has been attempted previously, but it has been found to be fraught with problems, as suggested by some of the information presented above. Secondary analyses of the Resource Allocation Study will serve to steer local management to more effective utilization of hospital days.

Question: How much does it cost the government to support the longer lengths of stay?

Answer: This question implies that the longer lengths of stay are unwarranted and this is not necessarily true. Many of the same reasons listed above would come into play in explaining why we feel the comparison of average lengths of stay between the Veterans Administration and the private sector is impossible. We believe that our longer lengths of stay are justified based upon the medical needs of the veteran and the unique mission of the VA. Private hospitals admit persons mostly through the individual's private physician to treat a given illness. The VA has been given the mission "to care for him who has borne the battle". This implies a larger responsibility than just treating episodic illnesses and is why, for many veterans, the VA hospital is their home.

Question: Please provide an estimate of the number of days that are "excess" of what might have been expected in private hospitals?

Answer: First of all, a length of stay analysis by condition is not currently available. Also, as previously discussed, any comparison of length of stay between the VA and private hospitals must consider both the general condition of the patient treated and the greater intensity of health care provided by the VA.

MEDICAL AND PROSTHETIC RESEARCH

QUESTION: Provide for the record, a list of priority research areas in the VA's research program and statistics as to the number of service connected and non-service connected health care problems or injuries for each of the priority areas.

ANSWER: In Rehabilitation R&D, the priorities are: Prosthetics/Amputation, Spinal Cord Injury (SCI), and Sensory Aids. While the primary emphasis is directed at the service-connected disabled veteran, the non-service connected disabled benefit from the same research and development inasmuch as they often encounter similar health care problems.

In Medical Research Service, the high priority areas are alcoholism, aging, delayed stress disorders, spinal cord injury/regeneration, schizophrenia, prisoners of war, and Agent Orange. High priority research is directed at both specific health care problems or injuries resulting from military service and veterans' health care problems in general.

The HSR&D Service solicited projects to deliver preventive health care services to veterans with service-connected disabilities, in response to Public Law 96-22. Six projects are being funded currently. However, these projects, like the HSR&D field program and all 29 of the HSR&D Service Investigator-Initiated Research Projects address problems relevant to all veterans.

The biometerics Division of the Office of Reports and Statistics has provided data from the Compensation and Pension records in FY 1980 that list the following disability categories:

DISABILITY	SERVICE-CONNECTED	NON-SERVICE-CONNECTED
Major Amputee (Limbs)	27,583	9,299
SCI	7,494	3,447
Blind	4,830	11,966
Hearing Impairment	57,242	63,627

Medical Research data are:

Alcoholism	403	150,000
Schizophrenia	54,935	59,200
Aging Veterans	405,821	236,700
Spinal Cord Injured	7,494	8,200
Delayed Stress Disorders	*	
POWs	93,000	32,000
Agent Orange	———	———

* This diagnosis was not used in 1979, the most recent date for which data are available.

This list is organized on primary disability. A service-connected amputee who later in life develops heart disease, stroke or deafness would not be listed a second time on this list even though he is eligible for VA care for these secondary problems.

Senator Garn—Continued

QUESTION: To gain an understanding about how many disabled veterans are benefitting from new devices developed through research, identify for the record new devices developed in the past three years and how many service connected and non-service connected veterans are using these devices?

ANSWER: Three new devices the Rehab R&D Service has developed in the last three years are:

a. The VAISCO Seat Cushion for Wheelchair Users, who are at risk of pressure sores, will reduce incidence of pressure sores. The VAISCO Seat Cushion was just made commercially available in the last six months so little sales data are available. The VA purchases 12,000 manual wheelchairs and 2,000 powered wheelchairs annually which indicates the potential size of the market.

b. In this same area, Rehab R&D has directly contributed to several recent advances in wheelchair design by calling problem areas to the attention of manufacturers in national workshops such as Wheelchair I, II, and III convened over the past several years. Specific examples are: sealed bearings in main hub of the wheelchair, which replaced unsealed bearings that fail within 6-8 months; spokeless wheels (die-cast "mag" wheels) to replace the older, thin-spoked wheels which require constant maintenance and replacement; and improved motor control-systems which improve powered wheelchair performance and ease of operation.

c. The Rehab R&D Service continues to improve the performance of prosthetic appliances such as artifical limbs. The VA has an outstanding record of stimulating manufacturers to produce these developments. Two new advances are the improved 4-bar linkage artifical knee joint marketed by U.S. Manufacturing and the myoelectric controlled elbow and interchangeable electric hook and hand soon to be announced by Hosmer, Inc. in Campbell, CA. In addition, the Mauch Hydraulic Ankle has now become commercially available. Mauch Laboratories, in Dayton, OH, has supplied a hydraulic knee for many years and now is marketing the hydraulic ankle.

QUESTION: Are there any prototype devices that have been developed through research and have not been distributed to the veteran?

ANSWER: There are a few devices developed by the Rehab R&D program that have not been adopted by manufacturers. The Rehab R&D program has taken two steps to reduce the likelihood that more such devices are developed. First, when a researcher begins a development type project, the Rehab R&D program insists that a potential manufacturer be sought out so that as the prototypes are designed, evaluated and modified, the manufacturer offers advice and suggestions. In this manner, the manufacturer is committed to the final product. Second, the manufacturers are often concerned that the market for new devices is limited and are reluctant to commit large capital investment to products with a small market. An interagency agreement with the Department of Commerce will conduct market surveys to assure manufacturers that a market does exist.

The recently passed legislation for Orphan Drugs has the provision for including orphan devices. While the regulations for implementing this new Act have not been promulgated, there is every hope that this new legislation may also stimulate greater manufacturer participation.

QUESTION: What percentage of VA's research program (dollars and number of projects) would you estimate is directed at the health care problems or injuries resulting from military service as opposed to advancing the Nation's knowledge about disease/disabilities?

ANSWER: In general, the Rehab R&D Service program is directed toward the service-connected veteran, while the non-service connected veteran with similar disabilities benefits as a secondary effect of the program. Since Rehab R&D only supports R&D studies in devices, techniques and concepts in rehabilitation of disabled veterans, and not general medical research, the entire Rehab R&D budget, $9.880 million in FY 1983, is directed at the health care problems or injuries resulting from military service.

In Medical Research, the focus is on patients being cared for in VA medical centers. In general, patterns of illness of Service-connected and non-service connected veterans are similar. Therefore, virtually all research accomplished in the VA applies to military service and non-service related diseases and disabilities.

MEDICAL AND PROSTHETC RESEARCH

QUESTION: Although you are requesting an increase of $1,486,000 for your Medical and Prosthetic Program, you anticipate a decrease of 170 FTEE. The majority of these are in "Medical Research".

Why are you requesting such a large reduction in FTEE, given that the VA just increased the FTEE in this account during FY 83?

ANSWER: The 1984 request for Medical and Prosthetic Research appropriation of $156.3 million provided for a substantial increase over 1983 level, but the 1983 Congressional restoration of $14.9 million reduced the apparent 1984 increase to $1,486,000. We will terminate lower priority investigator-initiated programs in order to maintain a high quality balanced program within the budgetary dollars and FTEE levels provided.

QUESTION: How many projects will be funded in FY 83 and how many in FY 84:

ANSWER: The following table indicates research programs funded in Medical Research:

Senator Garn—Continued

FY-83 Workload	Proposed FY-84 Workload	
1763	1673	Investigator-Initiated
23	23	Cooperative Studies
177	177	Career Development
117	117	High Priority
12	22	Agent Orange

QUESTION: Are you planning any shift in emphasis in the program?

ANSWER: During FY 1984, Medical Research Service plans to fund proposals specially solicited in FY 1983 in the following areas: aging, oncology, and health care of female veterans. Additionally, research on POW's and Agent Orange will be re-emphasized.

QUESTION: Please provide a list of projects with their associated dollar amounts?

(Clerk's note--The requested information has been received and is being held in the subcommittee files.)

VA Health Professional Scholarship Program

Question: You expect to provide for 58 one-year awards and 146 two-year awards to nursing students under the Health Professional Scholarship Program during FY 84. What commitment do these students have to make to the VA after completing their training?

Answer: Each has a minimum service obligation of two years.

Question: How do the number of awards compare to the FY 83 levels?

Answer: In FY 83, we expect to make 328 awards -- 92 for one year and 236 for two-years. The FY 84 request will support an estimated 204 awards, 124 fewer than FY 83.

Question: How do the number of awards compare to the number of qualified applicants?

Answer: In the first year of the program, 344 awards were made from the group of 2,112 eligibles. The ratio of applicants to awards was about 6:1.

Question: Of the 344 awards that were made, how many awards were made to VA employees and what was the number of qualified VA employee applicants?

Answer: From eligible applications received from 335 VA employees, 81 awards were made.

Assistance for Health Manpower Training Institutions

Question: You anticipate spending $2,066,000 for your Assistance for Health Manpower Training Institutions program during FY 84. To date, a total of $297,000,000 has been appropriated for this program. Could you provide for the record, a description of the purpose and accomplishments of this program since its inception?

Answer: The Veterans Administration Medical School Assistance and Health Manpower Training Act of 1972 (a) authorized grants and other assistance to State colleges or universities to establish new State schools of medicine or osteopathy in affiliation with VA medical facilities; (b) authorized grants to medical schools which have maintained affiliations with VA medical facilities for the improvement of their educational programs; and (c) provided assistance in the establishment of programs within institutions and agencies affiliated with VA medical facilities to coordinate and improve the training and utilization of professional and technical allied health personnel.

In all, five grants were awarded to assist in the establishment of new State medical schools; 18 grants were awarded to affiliated medical schools; and 138 grants were awarded to academic institutions and community-based consortia of health care and educational institutions with programs across the gamut of associated health disciplines.

A July 1, 1981 report by the VA Office of Planning and Evaluation (#074-80-01) under the evaluation provisions of 38 USC 219 included major findings that

- the VA benefited from the programs through new or expanded medical services, improved quality, recruitment and retention of staff, greater staff productivity, increased research and continuing education; and
- the program is successful in achieving its legislative goals and its administrative objectives.

More detailed information is available in the six annual reports submitted to the Congress on this program. A copy of the most recent report -- dated December 1982 -- can be provided for the record.

Question: Will you be able to fully meet all of your approved commitments without additional appropriated funding in FY 84?

Answer: Yes. The $297 million appropriated by the Congress is sufficient to meet all of the program commitments.

FEE BASIS DENTAL CARE

Question: In a June 19, 1981, report, GAO stated that most veterans with service connected conditions are unable to obtain care from a VA Dental Clinic and are referred instead to private dentists on a VA-reimbursable fee-for-service basis. The report also recommended that VA make better use of its dental personnel. A May 24, 1982, supplement to that report criticized many of the actions VA plans to take to implement the GAO recommendations.

The report supplement states that VA hired 67 more dentists between 1976 and 1980, and that past increases in services provided to service connected veterans appears to have resulted more from the increased staffing than from a re-direction of program resources away from non-service connected inpatients and outpatients. According to the report services provided to non-service connected patients actually increased during this period.

Is that actually the case?

Answer: Until the new reporting system was initiated in FY 83, there was no separation of SC and NSC inpatients receiving dental treatment. For outpatients, increases in NSC veterans receiving dental care were registered until FY 79. Since then, through FY 82, there has been a steady decrease in NSC veterans receiving dental care.

Overall dental productivity, as evidenced by the data on "cases completed" per 100 mandays of dental staff, has increased during the past five years. This increase has been affected in spite of the many constraints in the number of auxiliary personnel and dental operatories. Using 1976 as the base year, the increase in overall productivity per 100 mandays of staff has ranged from 18 percent to 21 percent annually. Not only has there been a percentage increase in the absolute numbers of these cases of 111 percent, but also in the numbers of cases completed per 100 mandays of staff.

Question: What action have you taken based on GAO's recommendations.

Answer: The Department of Medicine and Surgery has implemented all but one of the GAO's recommendations. The net result of these actions is evidenced by a reduction in the number of patients referred for fee basis treatment, an increase in the number of outpatients treated by VA staff, and an overall cost reduction as evidenced in the following table:

	FY 80	FY 81	FY 82
Staff	74,331	86,036	97,768
Fee	71,550	74,528	51,932
$000's	$53,086	$50,540	$30,277

Question: What percentage of inpatient and outpatient dental services were provided to nonservice-connected patients during FY 1982? How much of that care was determined by a physician to be related to the patients' medical conditions?

Answer: The previous reporting mechanism (AMIS) for FY 82 did not provide information pertaining to nonservice-connected hospital inpatients nor how much care was determined by a physician to be related to the patients' medical conditions. The new reporting system established in FY 83 will furnish management at all levels that data, and allow accurate evaluation of dental program activities and performance. In addition, new staffing/workload standards for the significant activities performed in field Dental Services are being evaluated. System wide implementation was initiated January 1, 1983.

Question: What are your objectives for FY 83 and FY 84?

Answer: Our objectives for FY 83 and FY 84 are as follows:

- Continue to reduce the cost of the fee-dental program
- Improve productivity in all areas
- Reallocate resources within the dental program to maximize efficiency and effectiveness of all providers

Question: VA agreed with GAO's recommendation that it expand the use of dental hygienists, dental assistants, medical administrative personnel and expanded function dental auxiliaries, but according to the GAO report supplement, continued to expand the number of dentists at a faster rate than other personnel during FY 1981. How many dentists, hygienists, dental assistants, expanded-function dental auxiliaries (EFDA) and administrative personnel were hired during FY 82?

Answer: Net gains and losses of dental personnel by category during FY 82 were:

Dentists	- 1
Hygienists	+11
Dental Assistants	+14
Expanded Function Dental Auxiliaries	- 2
Dental Lab Technicians	+ 4

Question: Will staffing standards currently being developed for dental clinics provide guidance on the appropriate mix of personnel?

Answer: Yes. The Department of Medicine and Surgery is committed to the development and implementation of reliable staffing guidelines in each program area.

Question: VA's comments on the GAO report disagreed with the recommendation that it limit its inpatient oral examination program. GAO's report supplement took strong exception to VA's contention that the examination program is essential and that dentists are best suited for conducting oral screenings. According to GAO, VA generally provided time-consuming full examinations, not rapid oral screenings as it claimed. VA relied on physicians to examine outpatients with service connected medical problems to determine the need for adjunct dental care and could, likewise, rely on examining physicians to identify inpatients' dental needs. Physicians, nurses and physicians' assistants could perform the oral screening for undetected tumors during the admission physical. Public Law 96-22 directs VA not to provide such routine care unless staff and facilities are available after all service connected outpatients have been treated.

Do you agree or disagree with the above observations?

Answer: We contend that the inpatient oral examination is done for a number of purposes including: (1) a screening for serious oral disease, (2) an estimate of treatment needs, (3) an assessment of the findings relative to medical/dental interrelationships and, thus, (4) an establishment of a priority for treatment. Through long experience, we have found that this can be satisfactorily accomplished only by Dental Service personnel. With some exceptions, other professionals have neither the training nor interest to make the evaluations and assessments that are necessary.

The GAO makes a point that for a particular class of dental outpatients (Class III), a physician must initially request dental care for a veteran on the basis of a medical concern. The GAO says, in essence, that if physicians can determine the need for dental care for these outpatients, they should likewise be able to make the same determination for inpatients. On this point, it should be noted that the technicalities of current law do not allow the Dental Service access to these outpatients until and unless they are so referred. Thus, the procedure is not necessarily that of best practice, but rather a compliance with statutes.

The GAO contacted a number of non-VA hospitals to learn their views on "routine" oral examination by dental personnel. They stated that the general opinion was that such a procedure was a costly "luxury." The opinions of three non-federal hospital directors are given specific reference. Relating a community or proprietary hospital to a VA medical center has little relevance, of course. Primary responsibility for treatment of individual patients in these private-sector hospitals rests in the hands of the private practitioners who hospitalize their patients there. (This includes dentist members of the medical staff, who admit and treat. The latter comprises the Dental Service of such a hospital.) The interrelationships of the medical and dental functions, necessary or unnecessary, are only as close as the individual practitioners choose it to be. Many opt to operate in a vacuum. On the other hand, the VA, as an institution, has the primary responsibility for comprehensive evaluation and necessary care. The Dental Service has been delegated its share of that responsibility. There are many who, like one medical director GAO quoted, realized that many oral cancers will go unrecognized since "most physicians do not perform proper oral examinations" and "medical schools do not spend much time on the mouth." We might add that oral cancer is only one classification of the many oral diseases that affect the health and/or relate to the medical treatment of patients.

The decisions that the VA must make in order to provide all, some, or no treatment are based on a complex set of legal and professional considerations that also must be measured against the Dental Service resources available. Based on these criteria, priorities are formulated and utilized. Repeating from an earlier paragraph, non-dental professionals have neither the training nor interest to make the evaluations and assessments necessary for this task. It is difficult to predict how much time, effort and expense would be necessary to transfuse the necessary knowledge, experience and interest to other groups of professionals as suggested by the GAO response. If it, indeed, could be demonstrated to be a cost-effective process, it might be tried with other functions as well. Other professional or paraprofessionals could be trained to read and report-out cardiograms for the cardiologist or chest plates for the radiologist. Certainly, such practices are conceivable, but we are not convinced that they are in the best interests of the patient.

Question: According to GAO's report supplement, VA has directed its dental clinics to periodically adjust their definition of geographical inaccessibility to control dental outpatient workload. This was contrary to the recommendation GAO made that you establish a uniform 40-mile definition of geographical inaccessibility. In your comments on the original report you stated that you agreed, in spirit, with the recommendation.

What have you done to implement this recommendation?

Answer: VA Interim Issue 10-82-37, defining geographic inaccessibility, was published July 23, 1982. As stated to the GAO, we agreed that a catchment radius policy was desirable and had been implemented at all VA facilities. However, a rigid 40-mile radius for all VA facilities was not considered feasible. It was pointed out that in some metropolitan areas, the density of the veteran population would create dental workloads that could not be absorbed at the local VA facility. It was also noted that, in less populated areas, the radius might well be extended beyond the 40-mile radius. Any such flexibility was evidently interpreted as a means to "control the workload." Our point was that the workload controls the radius. That is, if a 15- or 20-mile radius provides a workload that exceeds the treatment capacity of a clinic, why should a 40-mile radius be artificially established? (With excess patients going to fee, such a practice could well see some veterans commuting at government expense 80 miles round trip to meet dental appointments and others, living blocks away from the VA facility, being sent to fee because their treatment could not be initiated at the VA for two to three months or more.) Our guidance to metropolitan facilities has been to increase the working radius until their ability to absorb more cases is exceeded.

Question: The GAO report and report supplement showed that many VA clinics have not used opportunities to practice two-chair dentistry with existing facilities.

What actions have been taken to identify opportunities to expand two-chair dentistry within existing facilities?

Answer: Approved dental space criteria support the concept of two-chair treatment capability. A field report entitled "Space and Functional Deficiency Index" (SFDI) evaluates each dental clinic according to the approved space criteria and facility construction projects are approved in a five-year plan based on priority rankings within the SFDI. There has been significant progress over the years, but total resolution will be dependent on the availability of future resources--including space, equipment and staff. This subject is a high priority initiative for the Office of Dentistry in the planning for FY 84-85 and will be incorporated as an integral component in the broader objectives of cost-effective management.

VA SIZING OF SURGICAL SUITES

Question: GAO recommended in 1981 that VA determine the number of operating rooms needed in a surgical suite using actual workload data. Although VA disagreed with the specific model GAO proposed, VA agreed to incorporate GAO's concerns into a new model it was developing. Are you justifying your proposed construction projects on the basis of actual workload data?

Answer: Yes. Workload data is currently available for each VA medical center, including major and minor surgical procedures performed. This information is used in determining the appropriate number of operating rooms in proposed construction projects.

Question: What is the status of your new model for determining the size of surgical suites?

Answer: A research project is underway at VAMC Ann Arbor to develop a "Surgical Management Information System". This project has an estimated completion date of April 1984. The results will be incorporated into new surgical criteria applicable to all proposed construction projects.

Senator Garn—Continued

GRANTS FOR CONSTRUCTION OF STATE EXTENDED CARE FACILITIES

VA is authorized to provide grants to States for the construction or renovation of existing State-operated medical facilities to furnish nursing care to eligible veterans. State nursing homes' average cost per bed was estimated to be about $48,000 in FY 1982. In contrast, VA's nursing homes were reported to be constructed for about $80,000 per bed in FY 1982.

Question: What are your estimates for FY 1983?

Answer: The average total cost of a State nursing home bed for FY 1983 is estimated at $48,000 of which VA may participate up to 65 percent. The cost of a VA nursing home bed for FY 1983 is estimated at $57,000. We cannot identify the $80,000 per bed cost reported for FY 1982. See the attached tabulation.

Question: Why are States not required to meet VA's stringent seismic requirements for nursing home construction?

Answer: The VA requirements for State nursing homes, and follow-up review comments, have requested compliance with State codes for seismic resistance. The reasons for not directly using the VA Seismic Code is because all VA centers with "seismic concern" have had specific "site evaluation" studies to furnish a design parameter to use for all projects at each respective site whereas similar studies have not been made at all possible State nursing home sites.

As to cost differential, it is not expected to be of significant cost contrast, particularly in recent years, for one-story or low rise State nursing homes, even in the higher risk zones, as the Uniform Building Code zonal map (used in the critical States) can in some instances be more stringent than the VA code using the locally determined design parameter.

The next revision of the VA Regulations for State Nursing Homes will slightly modify the current statement on seismic design to assure that the design will comply with the latest edition of the Uniform Building Code or the particular State requirements, whichever is greater.

Question: Are there any other construction standards or requirements that VA imposes on its nursing care facilities that are not imposed on the States that would increase VA's nursing home construction cost?

Answer: Standards and requirements for State and VA nursing homes are similar in many respects, but they are not identical. VA

Senator Garn—Continued

BID DATE	LOCATION	NO. OF BEDS	ACTUAL COSTS					COSTS ADJUSTED TO D.C. INDEX @ JAN. 83			
			CONSTRUCT'N CONTRACT	CONTINGENCY ALLOWANCE	TECH SERVICES	TOTAL PROJECT	$/BED	CONSTRUCTION CONTRACT		PROJECT COST	
								TOTAL	$/BED	TOTAL	$/BED
VA NURSING HOMES											
11/82	Ann Arbor,MI	120	$5,128,000	$335,000	$546,000	$ 6,009,000	$50,075	$4,463,860	$37,199	$5,230,750	$43,590
11/82	Bronx,NY*	120	$8,756,000	$574,300	$750,000	$10,080,300	$84,000	$7,305,760	$60,881	$8,410,720	$70,090
12/82	Tampa,FL	120	$5,124,500	$334,500	$546,000	$ 6,005,000	$50,042	$6,428,010	$53,566	$7,532,480	$62,770
1/83	Lake City,FL	120	$3,926,950	$316,050	$500,000	$ 4,743,000	$39,525	$5,268,320	$43,903	$6,363,110	$53,025
AVERAGE			---	---	---	---	$55,910	---	$48,887	---	$57,369
STATE-GRANT FACILITIES											
5/79	Boise,ID	80	$2,028,522	$ 53,333	$140,952	$2,222,807	$27,785	$ 2,878,676	$35,983	$ 3,154,385	$39,430
3/81	Ardmore,OK	100	$2,217,805	$101,350	$180,843	$2,499,998	$25,000	$ 3,020,650	$30,207	$ 3,404,997	$34,050
12/81	Augusta,ME	120	$3,416,000	$183,000	$873,000	$4,472,000	$37,267	$ 4,591,104	$38,259	$ 6,010,368	$50,086
2/78	Marshalltown IA	180	$5,929,664	$274,049	$466,187	$7,669,900	$42,611	$10,858,783	$60,327	$12,018,733	$66,771
AVERAGE			---	---	---	---	$33,166	---	$41,194	---	$47,584

* The Bronx NHCU is an unusual project. The site conditons, connecting tunnel, trash and linen disposal system add $2,000,000 base construction or $18,800/bed total project cost. This project is designed in accordance with seismic requirements conforming with the design criteria of the new hospital and research building. Also increasing the cost of this project is the architectural blending of the NHCU with the old chapel which was retained on the site. The gross area of this building is approximately 10,000 sq ft more than normal, due to the interplay with the chapel.

nursing homes are designed to be, and operate as, part of a medical center complex, compatible with the total hospital environment. They comply with a uniform national standard, which allows local variations based on local codes or practice, with more emphasis on life cycle cost considerations than on initial construction cost. They are completely protected by automatic sprinkler systems, and must comply with Federal policies (Executive Orders) relating to energy conservation. State facilities comply only with local codes and standards, and only those Federal requirements imposed by law or regulation.

If any State facility assisted by Federal funds for the construction or renovation of existing medical facilities should cease to be a State-operated facility at any time within a 7 to 20 year time period, VA must consider recovering the Federal grant.

Question: Has VA developed regulations to recover Federal funds if State facilities cease operation or change ownership?

Answer: VA has not published regulations to recover Federal funds if State facilities cease operation or change ownership. Recapture provisions are included in the grant agreement.

Question: Have any State facilities assisted by Federal funds ceased operation or changed ownership and if so, how much did the VA recover?

Answer: All State home facilities assisted by Federal funds have continued to be operated for furnishing domiciliary, nursing home or hospital care to veterans; hence, there has been no need to recapture funds.

At the end of FY 82, you had $11,233,000 unobligated in your Grants for Construction of State-Extended Care Facilities account. At the end of FY 83, you expect to have $15,902,000 unobligated.

Question: Why is the amount of unobligated funds increasing?

Answer: The amount of unobligated funds is increasing analogous to the increasing total cost of projects. Because of the one-third limitation, the amount required to fully fund some projects cannot be provided from a single years' appropriation and therefore a partial unobligated amount is carried forward to fund large projects in a subsequent year.

Question: Please provide a list of the number of applications for these funds and the amount of dollars applied for.

Answer: The $11,233,000 unobligated balance at the end of FY 1982 was due, in part, to the delay in appropriation of funds which left insufficient time for States to complete their formal grant applications and for the VA to review and approve them. The projects which account for this unobligated balance were Maryland (Charlotte Hall) $4,370,000 for Phase II and part of Phase III; Colorado (Rifle) $2,426,000; Nebraska (Scottsbluff) $1,560,000; Minnesota (Minneapolis) $480,000; and a remainder of $2,397,000 which was insufficient to fund the project for Missouri (Mexico).

The projects which account for an estimated unobligated balance of $15,902,000 at the end fo FY 1983 are: Maryland (Charlotte Hall) $6,000,000 to be held for Phase III; Illinois (Manteno) $5,780,000 to be held for a project with estimated VA participation of $10,644,000; a reserve of $574,000 for obligations made in prior years; and an estimated reserve of $2,658,000 for FY 1983. The balance of $890,000 is insufficient to fund the project for New Mexico (Truth or Consequences).

Page 21-34 of your budget justification states that a total of $151,040,000 was appropriated for Fiscal Years 1966 through 1983. A chart on that page shows "Actual VA Commitments/Obligations" of $120,088,000.

Question: How do you explain this discrepancy?

Answer: The difference of $30,952,000 includes $11,233,000 of FY 1982 funds and $18,000,000 of FY 1983 funds not yet obligated. The remaining $1,719,000 represents funds which were deobligated for the period FY 1966-1979 because the actual cost of projects at completion were less than the amounts awarded. Because the appropriation had lapsed, the funds could not be used for other projects.

STATE HOMES

In an October 22, 1981 report, GAO made several recommendations to reduce the cost of operating State veterans homes and to expand the use of the homes as an alternative to VA nursing homes. According to GAO of the State homes visited, 97% of the veterans for whom VA was paying hospital per diem rates required only nursing home care. About one-third of the patients at the Iowa home for whom VA was paying nursing home per diem rates required only domiciliary care. GAO said that results of its work indicated overpayments to the three States of about $450,000 a year.

Question: What have you done to review the appropriateness of per diem rates paid for veterans at State homes?

Answer: A DM&S Circular (10-82-115) was issued June 28, 1982, directing physicians at facilities of jurisdiction to review the appropriateness of per diem rates for veterans at State homes using the definitions of care in the DM&S Manual M-1, Part 1, Chapter 3, "State Veterans Homes."

Question: What were the results of that review and what cost savings were achieved?

Answer: As of January 31, 1983, reviews of 69 percent of all State homes had been completed. Of those reviewed, about 8 percent required some changes in levels of care for purposes of per diem rates resulting in an approximate savings of $332 per day or $121,125 per year.

The GAO report also found that VA had not effectively planned and coordinated the construction and use of VA, State home and contract community nursing homes to meet anticipated demands. GAO found that excess VA and State nursing homes may be constructed in some communities that already have too many private nursing home beds, while other medical districts may have a shortage of nursing home beds to meet anticipated demand.

Question: What actions have you taken relative to this GAO conclusion?

Answer: The GAO study based its conclusion on the VA's application of a 20 percent VA supported share of the veterans' nursing home care needs in the future. This share was to be met by a 40-40-20 program mix for VA, community, and State nursing homes, respectively. Since that time, the Medical District Initiated Program Planning (MEDIPP) process has been implemented, which makes the projected 20 percent share as well as the 40-40-20 ratio obsolete. Current methodology provides for each Medical District to select a VA supported share which best fits its needs. Each District developed its nursing home capability based on guidance of a VA supported share ranging from 12-16 percent, and could select a share outside the established range if the District's assessment quantitatively supported a different share. The methodology considered both VA owned and operated nursing home beds as well as community and State home care availability. Districts had the flexibility to determine the proportion of VA nursing home care beds having been provided guidance of 25-40 percent, and the proportion of community and State home capacity based on their planning targets of demand for services. They were encouraged to involve State and local nursing home care officials in determining the anticipated supply of community and State resources.

Question: What input have State and local planning agencies and the National Association of State Veterans Homes had on development of MEDIPP plans?

Answer: Some input from State and local planning agencies and State homes was obtained during the first round of MEDIPP, but much more can be done to involve these groups. It is expected the next round of MEDIPP will consider existing and planned beds and that plans will be coordinated with the local health planning agencies and the National Association of State Veterans Homes.

Question: How are priorities set for State home construction projects?

Answer: Priorities for State home construction projects have traditionally been set by awarding grants in the order in which applications were received. Based upon the GAO recommendation, the priority list will be reviewed for any projects that warrant a higher priority to meet VA programmatic needs as identified by MEDIPP. Changes will be made if fully justified. Meantime, to avoid confusion to the States' planning efforts, and to assure continuation of grant awards during the transition, we are continuing to award the grants in the order in which they are received.

Question: How much are you seeking for State home construction projects in FY 1984?

Answer: $18 million has been requested.

Question: What percent of all pending construction projects will this fund?

Answer: $18 million will fund 26 percent of the projects (27% of the estimated project costs) submitted as of January 31, 1983.

Question: What role do you project for State facilities in sharing the burden that aging veterans are expected to place on VA's health care system?

Answer: The State home facilities are considered as a cost effective adjunct to attaining VA's goal of providing health care to eligible veterans.

Question: What can VA do to stimulate State-sponsored construction of veterans' homes?

Answer: To accelerate State-sponsored construction the amount appropriated for construction of State extended care facilities could be increased in FY 1984 and maintained in subsequent years. This would shorten the waiting time for funding which is now from four to six years, and allow States to anticipate when Federal funds would be available so that they could seek State funds accordingly. Full utilization of appropriated funds would be assured if funds were allowed to remain available until expended, as the law provides, rather than lapsing in three years as stipulated in recent appropriation language.

Question: What "market share" of the nursing home beds for veterans do you believe is appropriate for the VA during the 1980's, 1990's and in the future?

Answer: Guidance provided Medical Districts in the MEDIPP process indicated a VA supported share of 12-16 percent of the total veteran need. Historically, the State home portion of the total VA supported share has been about 25 percent nationwide. As a national figure we believe this is an appropriate percentage but individual Medical Districts may vary from 0% to 74%.

The backlog in State projects approved by VA for grant support but unfunded seems to be growing. In 1982, it was about $50 million; last year you indicated it was about $67 million.

Question: What is the current backlog of approved but unfunded projects?

Answer: The eligible projects on January 31, 1983, for which funds were not available totalled $65.7 million. These projects have not been "approved" and cannot be approved until funds are available.

Question: What approval process must these projects go through at VA?

Answer: The preapplication is reviewed and if the project is eligible it is added to the list and the State is notified. Subsequently, when funds become available, the State is notified to submit a formal application to include the construction plans and assurance that the State share of the construction funds is available. The drawings and specifications are reviewed for compliance with the construction standards for State extended care facilities. The environmental and historic preservation aspects are also reviewed. Upon review and approval of the project, funds are obligated based upon the approved bid tabulations.

Question: Are they designed to the same standards as VA's facilities?

Answer: As stated previously, standards are similar in many respects but not identical.

SUPPLY REVOLVING FUND

Question: In FY 1983, your average employment for the Supply Fund decreased by nine FTEE. In FY 84, you show an increase of 29 FTEE. Why is this large increase required during FY 84?

Answer: This 5% increase is to restore Supply Fund service to its previous standards of quality and timeliness and to permit it to take on additional responsibilities. Between FY 1981 and FY 1983 the authorized ceiling decreased from 696 to 614. This reduction was made without a corresponding reduction in responsibility or workload; our workload actually increased. Total obligations in FY 1982 exceeded FY 1981 obligations by $110 million, or 24%. Obligations in FY 1983 are expected to be 10-15% greater than last year. Also, during this period the Supply Fund was given responsibility for additional Federal Supply Schedules, transferred from the General Services Administration.

The increase in FY 1984 is requested to service the Federal Supply Schedule responsibility, improve commodity management, develop regional contracting processes, increase field reviews and training, improve responsiveness of the Publications Service and handle depot workload increases associated with other Government agency and Veterans Administration requirements.

MANAGEMENT CONTROLS OVER CONSULTANT SERVICES CONTRACTS

Question: As your budget justification notes, "Implementation of established controls over letters of agreement had not been fully accomplished as required by the VA Procurement Regulation published in June 1982 for FY 1982. In accordance with the VA Procurement Regulation requirements, officials delegated authority to procure consulting services through letters of agreement had not met their reporting responsibility in a timely manner. All procurements for consulting services accomplished through letters of agreement are to be reported to Procurement and Supply VA Central Office no later than 15 days after the end of each quarter. Negative responses are to be received in VA Central Office no later than 15 days after the end of the fiscal year. However, there were no actions reported by an official delegated the responsibility for letters of agreement as of October 15, 1982." What steps have you taken to remedy this situation?

Answer: The Assistant Deputy Administrator for Procurement and Supply issued a memorandum on January 31, 1983, to all department heads reminding them of the special controls established in the VA Procurement Regulations and their responsibilities in executing these controls. The reporting requirements for issuing letters of agreement were reemphasized in this memorandum. A copy of the above VA Procurement Regulations was attached to the memorandum. It was requested that each individual delegated procurement authority for the execution of letters of agreement be provided a copy of this regulation.

CONSTRUCTION AND OPERATION OF GARAGE AND PARKING FACILITIES

Question: Your budget justification states that legislation is being proposed to abolish the garage and parking facilities revolving fund. What is the status of this legislation?

Answer: The Agency is planning to submit legislation which will make use of the garage and parking facilities revolving fund, provided for in section 5009, 38 U.S. Code, discretionary rather than mandatory. Staff work has been completed on this proposal and it is now being sent to the Administrator for review and, subject to his approval, submission to OMB.

ADVANCED PLANNING FUND

Question: In a December 1981 report to the House Veterans' Affairs Subcommittee on Hospitals and Health Care, GAO recommended that VA be allowed to extend its Advanced Planning Fund to include final design work (preparation of working drawings). In many cases, this would avoid having to stop a project while the Congress considers approving and funding it.

Have you submitted or do you intend to submit legislation to allow expansion of the Advanced Planning Fund?

Answer: We have initiated discussions with OMB with respect to inaugurating a design fund for working drawings similar to the Advanced Planning Fund (APF) for preliminary drawings. GAO is quite correct in its conclusion that such an extension of the Advanced Planning Fund (APF) could reduce project development time by 12 to 18 months, which now is basically the time between completion of preliminary planning under the current Advanced Planning Fund (APF) process to the time Congress appropriates funds for working drawing design.

We share the Subcommittee's concern with respect to the time it takes to develop a project from inception to execution and are constantly looking for means to reduce this development time. Our review of the design fund issue is still on-going and no final policy decision has been made. There are both advantages and disadvantages to the proposal which require study in-house and full discussion with OMB and Congress.

Question: How many of the major construction projects in this budget have been funded through the Advanced Planning Fund and are now on hold awaiting Congressional approval and funding?

Answer: All projects have been funded.

Question: What delay have they experienced?

Answer: We do not consider delays within the Advanced Planning Fund process as the Fund was designed to fully develop projects for consideration in the budget. We feel that within reason, whatever time was necessary should be spent in developing solid properly costed prices for budget consideration.

Question: What percent of the Advanced Planning Fund has been used for problem definition and data collection versus the development of conceptual design and drawings?

Answer: Because the problem definition and data collection and development of conceptual design stages of the Advanced Planning fund process are generally in-house efforts, only the preliminary drawing effort is performed by outside Architect-Engineer firms utilizing Advanced Planning Funds.

Question: Please prepare a table showing the length of time each of the 35 projects in your FY 1984 major construction request was under consideration in your advanced planning.

Senator Garn—Continued

NUMBER OF YEARS PROJECTS WERE ON THE APF LIST

Location	Project Description	No. of Years
Bath, NY	Renovate Building No. 78 for Nursing Home Care Unit	3
Battle Creek, MI	Renovate Building No. 82	4
Biloxi, MS	Modernize Various Buildings	5
Brockton, MA	Modernize Buildings No. 2 and 7	5
Castle Point, NY	Building Addition	4
Charleston, SC	Clinical Addition and Renovation of Existing Services	4
Chicago (WS), IL	Outpatient Addition and Renovation of Buildings No. 11A, 11B	5
Cincinnati, OH	Upgrade Electrical Distribution	3
Cleveland (WP), OH	Clinical Improvements and Relocation of Surgical Service	2
Durham, NC	Three Additional Elevators, Trash and Linen Chute	3
East Orange, NJ	Relocate/Consolidate Research and Expand Clinical Laboratories	3
Fayetteville, NC	Clinical Addition	4
Hines, IL	New Warehouse/Service Building	4
Lake City, FL	Outpatient and Clinical Addition	3
Leavenworth, KS	Fire and Safety Improvements for Buildings No. 88, 89, 90, 91, 122; Patient Privacy Improvements for Building No. 90	2
Livermore, CA	Fire and Safety Improvements; Additional Service Elevator	2
Loma Linda, CA	60 Bed Nursing Home Care Unit	2
Lyons, NJ	240 Bed Nursing Home Care Unit	2
Miami, FL	120 Bed Nursing Home Care Unit	1
Minneapolis, MN	Replacement Medical Center	5
Murfreesboro, TN	Clinical Addition and Alterations	1
Northport, NY	120 Bed Nursing Home Care Unit	2
Omaha, NE	Outpatient Addition	3
Perry Point, MD	New Laundry Building	3
Pittsburgh (HD), PA	Central Laundry	3
Pittsburgh (UD), PA	Patient Addition	3
Providence, RI	60 Bed Nursing Home Care Unit	1
San Antonio, TX	Supply Warehouse and Supply Processing and Distribution	5
San Diego, CA	Emergency Generator and Conservation of Energy	1
San Francisco, CA	120 Bed Nursing Home Care Unit and Parking	4
Sioux Falls, SD	Addition and Renovation for Ambulatory Care, Clinical Service Administration and Education	4
Syracuse, NY	Fire and Safety, Patient Privacy Support System and HVAC	4
Tomah, WI	Renovate Buildings No. 406 and 408	3
Waco, TX	New Dietetic Building	5
West Los Angeles (Wadsworth), CA	120 Bed Nursing Home Care Conversion (Building 213)	2

Question: What was the average time?

Answer: The average time from placement on the Advanced Planning Fund list until the project is ready for budget consideration is somewhat over three years.

Question: What percent of this time do you estimate was associated with problem definition and what percent for design?

Answer: This can vary considerably in the problem definition and data collection and conceptual design stages, while the preliminary design requires an average of about eleven months which include contract negotiation and award.

Senator Garn--Continued

ADVANCED PLANNING FUND

Question: In a December 1981 report to the House Veterans Affairs Committee, GAO suggested that VA be allowed to extend the Advanced Planning Fund to cover final design work on construction projects. GAO pointed out that such an action could reduce the time it takes to complete these projects, but that savings would be offset if the Congress did not approve or fund any of the projects. I see that this year you are asking for "authorization . . . to expend appropriated funds to accomplish working drawings design on five high priority projects utilizing Office of Construction in-house resources during FY 1984". (Page 32-1)

Is this request consistent with GAO's suggestion?

Are these in-house resources coming from the Advanced Planning Fund?

Answer: To an extent this request is consistent with GAO's suggestion, except that in-house technical staff funded from the General Administration Minor Appropriation will design these projects. Advanced Planning Funds currently are used only for preliminary development work involving outside resources.

Question: How much do you expect to spend on working drawings for each project?

Answer: There will be no costs chargeable to the projects for working drawing design.

Question: Have the House and Senate Veterans' Affairs Committees approved these projects, as required by 38 U.S.C. 5004?

Answer: The Veterans' Affairs Committees' approval will be sought in FY 1985 assuming that the projects are selected for the FY 1985 budget request.

Question: What makes these five projects such a high priority?

Answer: All previous work on these projects has been done in-house and has been completed for some time. The Department of Medicine and Surgery considered them among their highest priorities, and therefore seems prudent not to lose the design momentum.

Question: Are they the highest priority projects for which you expect to request construction funds in FY 1985?

Answer: These are among the highest priority projects for which construction funding in FY 1985 will be considered.

Question: Why are you only proposing to fund five projects this way?

Answer: There is a very limited capacity for performing in-house design work.

Question: How much time do you expect to save on these projects by funding their working drawings with in-house resources in FY 1984?

Answer: Approximately one year.

Question: What do you expect the overall cost savings (or avoidance) to be on each project?

Answer: One year's inflation costs will be saved for all five projects.

Question: You are requesting $25 million for the Advanced Planning Fund in FY 1984, up from the $10 million we provided for FY 1983. Why such a large increase?

Answer: Part of the reason for the large increase is to fund the deficit in prior year Advanced Planning Fund programs and to provide for the preliminary planning of the Houston Replacement facility. Specifically, $10 million is to fund deficits, $5 million is for Houston, and $10 million is for new Advanced Planning Fund projects.

Question: How many projects will be designed with these funds?

Answer: Approximately 65 projects including the Houston project.

Question: Have you submitted, or do you intend to submit legislation to allow expansion of the Advanced Planning Fund?

Answer: We have initiated discussions with OMB with respect to inaugurating a design fund for working drawings similar to the Advanced Planning Fund (APF) for preliminary drawings. GAO is quite correct in its conclusion that such an extension of the Advanced Planning Fund (APF) could reduce project development time by 12 to 18 months, which now is basically the time between completion of preliminary planning under the current Advanced Planning Fund (APF) process to the time Congress appropriates funds for working drawing design.

We share the Subcommittee's concern with respect to the time it takes to develop a project from inception to execution and are constantly looking for means to reduce this development time. Out review of the design fund issue is still on-going and no final policy decision has been made. There are both advantages and disadvantages to the proposal which require study in-house and full discussion with OMB and Congress.

Question: Please present, for the record, the major functions or activities performed in the Advanced Planning Fund and the percent of the total funds you estimate will be associated with each activity.

Answer: There are three main definable stages in most Advanced Planning Fund projects. The first two stages are accomplished utilizing generally in-house resources. The third stage uses the Advanced Planning Fund funding for contracting with outside Architect-Engineer firms. In terms of level of effort, it is estimated that the first stage of data collection and project definition requires about 15 percent, for the second stage of conceptual development, when applicable, 35 percent, and the third stage of preliminary drawings is 50 percent. Some projects such as those involving largely engineering applications have very little conceptual development activity.

BROCKTON, MASSACHUSETTS MODERNIZATION

Question: This year you are requesting $24,000,000 for the modernization of Buildings Number 2 and 7 at your Brockton, Massachusetts facility.

Please describe the nature of this work.

Has the VA ever requested design funds for this modernization project?

Answer: This project will correct fire and safety deficiencies and provide seismic reinforcing in Buildings Number 2 and 7. The electrical system will be modernized and upgraded. The replacement of lighting fixtures, water heaters, and complete air conditioning will be accomplished. Patient areas in the two buildings will be modernized and updated to reduce 16-bed wards to a maximum of four beds in any one room. Congregate toilet and bathing areas will be modernized to improve patient privacy and provide access to handicapped users.

Design funds have not been previously requested.

FAYETTEVILLE, NORTH CAROLINA CLINICAL ADDITION

Question: This year the VA is requesting $22,000,000 for a clinical addition at Fayetteville, North Carolina.

Please describe the nature of this addition.

Has the VA requested design funds for this project in the past?

Answer: This project proposes the construction of a three-story addition to the main hospital and a renovation of existing space. The following services are covered in the scope of the project: Ambulatory Care, Audiology and Speech Pathology, Dental, Ear, Nose and Throat Clinic, Laboratory, Library, Medical Administration, Pharmacy, Radiology, Supply Processing and Distribution, Surgery, Voluntary, and Building Management. There is no significant impact on authorized beds, however, 20 parking spaces will be lost. Renovated areas will be updated to provide adequate exits and fire ratings in accordance with the National Fire Protecion Association Code and National Building Code.

Design funds have not been previously requested.

Senator Garn—Continued

SAVINGS ON NURSING HOME CONSTRUCTION PROJECTS

Question: In November 1981, VA formed a task force to propose, evaluate and implement ways to reduce the construction costs of its nursing homes. The task force proposed about 60 cost reduction measures to reduce the cost of a new 120-bed nursing home by about $1.5 million. Although not all measures have been accepted, those that have were to be implemented in those FY 1982 nursing home construction projects where they would not delay the working drawings and on all FY 1983 projects irrespective of any delays.

Have you done all you can to reduce the cost of building nursing homes?

Answer: No. We have, in process, a thorough review by a consultant of our specifications, construction standards and standard construction details to ascertain whether any additional cost savings can be obtained using other materials or techniques.

Question: Are you satisfied that the Office of Construction and DM&S were justified in not accepting all the task force's proposals?

Answer: The cost reduction proposals which have been accepted represent the collective considered judgment of both Office of Construction and DM&S. The mere fact that a proposal is made by a task force whose primary criterion is reduction of initial construction cost should not be interpreted to mean that other criteria, such as maintenance and operating costs and local variations in medical program needs, should be ignored. Where proposals were not accepted, it was because those other criteria were finaly judged to outweigh the reduction in the estimated initial construction cost. Office of Construction now is undertaking a project to review all of its standards in the light of the current state-of-the-art in construction materials with a view to possible further cost reductions.

Question: What effect did these measures have on the FY 1982, 1983 and 1984 projects? How much did you save on the construction contracts? What delays did you experience?

Answer: The accompanying table indicates which proposals of the task force are being implemented on each project and their respective savings in estimated total project cost indexed to December 1982.

Cost Reduction Items for Immediate Implementation

Nursing Care Homes

1. Omit provisions for vertical expansion. Provide capability only when specifically justified.

2. Adopt Modular Design Concept for Nursing Wings.

    (a) Eliminate 4-bed patient rooms.
    (b) Use 7'-0" length patient beds.
    (c) Reduce single patient room by 10 NSF.

3. Use the least expensive structural system compatible with the configuration of the building and the site. Consider wall bearing with roof joists.

4. Toilets and bathrooms.

    (a) Eliminate all showers and tubs in all private or shared bathrooms, connected to bedrooms.
    (b) Eliminate urinal in congregate bath.
    (c) Provide two full bathrooms per 60-bed unit to contain a tub, lavatory, and water closet in lieu of any bathrooms connected to a bedroom. Retain the congregate bathing facilites.
    (d) Configure bed structure for 60 beds with: six single bedrooms; two singles with private toilet; and four singles with shared toilets for each pair of rooms; and with 27 two-bed rooms, 26 will have a shared toilet for each pair of rooms; one will have a private toilet.

5. Reduce dining room space by 35%.
Meals will be served in two
sittings rather than one.

6. Reduce recreation room space by 35%.
The recreation and dining areas will
be adjacent so that the dining room may
be used for recreational activities
when meals are not being served.

7. In lieu of male and female toilets in lobby area for visitors, use one unisex with lavatory and water closet. Use similar single unisex toilet for dining room.

8. Reduce social work office from 120 NSF to 100 NSF.

9. Reduce maximum space for rehab/rec therapists from 200 NSF to 150 NSF.

10. Eliminate razor blade receptacles in toilets.

11. Use 3'-8" x 6'-8" doors in lieu of 3'-10" x 7'-0" in patient rooms.
12. Do not design exterior balconies at bedrooms.

13. All ceilings 8'-0" in lieu of 9'-0".

14. When station's trash disposal uses dumpster system, eliminate trash room.

Senator Garn—Continued

15. Use design discretion to eliminate or reduce skylights.

16. Use design discretion to reduce glass areas.

17. Do not provide revolving doors.

18. Reduce stair landings to 3'-8" deep.

19. Do not provide connecting corridors or tunnels unless specifically justified.

20. Reduce capacity of hot water generator and storage tank consistent with data obtained in past and on-going field testing conducted by Mechanical Engineering Service.

21. Reduce quantity of electrical convenience receptacles in patient rooms.

22. In home-run conduit only, permit six electrical circuits.

23. Reduce electrical, signal, and telephone closet depth to 12".

24. Select least expensive method to obtain reduced lighting levels for appropriate areas.

25. Where an emergency generator is necessary, locate it outside of the building structure.

26. Provide emergency generator only when required by code, seismic or other justifiable need which cannot be satisfied in a less expensive manner.

27. Use 120/208 main distribution voltage in lieu of 277/480.

28. Minimum conduit size will be 1/2" diameter.

29. Omit TV antenna outlets in all patient rooms. TV outlets shall be installed in patients' lounges and recreation rooms. In patient bedrooms, TV's may be plugged into regular electrical outlets, using portable antennae.

30. Use conventional standard lavatory with gooseneck spout and wrist operated faucets for wheelchair access.

31. Delete ceramic tile in drinking fountain alcove. Substitute heavy duty vinyl wall covering instead.

32. Delete requirement for non-skid ceramic/quarry tile in toilets, utility rooms and other areas not subject to standing water and/or grease. Provide non-skid surface in bath/shower areas and food preparation/dishwashing areas.

Senator Garn—Continued

33. Quiet Rooms:

    (a) Provide one Quiet Room of 180 NSF in a single-level 120-Bed NHCU.
    (b) Provide one Quiet Room of 180 NSF in a multi-level, 120-Bed NHCU on each level.
    (c) Provide one Quiet Room of 180 NSF in a 60-Bed NHCU.

34. Delete drywall protection of roof structure.

35. Reduce landscaping by 50%.

Senator Garn—Continued

ESTIMATED DOLLAR SAVINGS FOR NHCU COST REDUCTION ITEMS IMPLEMENTED

COST REDUCTION ITEMS	Northport FY 84 120-Bed	Providence FY 84 60-Bed	Hines, IL FY 83 120-Bed	Boise, ID FY 83 60-Bed	Denver, CO FY 82 60-Bed	Lake City, FL FY 82 120-Bed	Miami, FL FY 84 120-Bed
	T.P.C. 12/82	T.P.C. 12/82	T.P.C. 12/82	T.P.C. 12/82	T.P.C. 12/82	T.P.C. 12/82	T.P.C. 12/82
#1	N/A	N/A	N/A	40,000 P	72,200	163,700	N/A
#2	1,134,000	488,000	395,000 P	399,500	397,700	N/A	N/A
#3	38,000	N/A	N/A	10,000 P	13,400	N/A	N/A
#4	45,000	19,000	35,000 P	16,000	3,000 P	5,000 P	5,000 P
#5	Included in #2 above						
#6	Included in #2 above						
#7	Included in #2 above						
#8	Included in #2 above						
#9	Included in #2 above						
#10	1,500	600	1,340	500	500	1,100	1,100
#11	2,900	1,200	3,400	1,000	1,000	2,400	2,400
#12	N/A	N/A	N/A	N/A	N/A	N/A	N/A
#13	82,000	35,000	55,000	29,000	29,000	N/A	65,500
#14	Included in #2 above						
#15	28,000	12,000	N/A	N/A	N/A	N/A	N/A
#16	10,000	4,800	N/A	3,800	3,700	N/A	N/A

Senator Garn—Continued

COST REDUCTION ITEMS	Northport FY 84 120-Bed	Providence FY 84 60-Bed	Hines, IL FY 83 120-Bed	Boise, ID FY 83 60-Bed	Denver, CO FY 82 60-Bed	Lake City FL FY 82 120-Bed	Miami, FL FY 84 120-Bed
#17	42,000	38,000	N/A	37,000	37,000	33,300	N/A
#18	N/A	N/A	1,200	N/A	N/A	N/A	N/A
#19	N/A	N/A	N/A	N/A	N/A	N/A	N/A
#20	1,100	500	800	400	400	900	900
#21	8,600	3,600	7,000	3,000	3,000	6,800	6,800
#22	1,100	500	800	400	400	900	900
#23	Included in #2 Above						
#24	33,000	15,000	25,000	11,500	11,400	26,000	26,000
#25 & 26	64,000	28,000	N/A	N/A	22,600	N/A	N/A
#27	13,500	6,000	N/A	N/A	4,600	10,400	N/A
#28	6,800	2,400	6,000	2,400	2,400	5,400	5,400
#29	10,000	4,800	9,900	3,700	3,700	8,500	8,500
#30	9,000	3,600	8,500	3,200	3,200	7,200	7,200
#31	660	360	900	300	300	800	800
#32	2,800	1,200	N/A	1,000	1,000	2,300	2,300
#33	Included in #2 Above						
#34	64,000	28,000	57,000	22,600	N/A	N/A	N/A

#35	34,000	15,000	N/A	11,800	11,700	26,600	N/A
HVAC	237,000	80,000	N/A	70,000	N/A	N/A	N/A
TOTAL	1,868,960	. 787,560	607,240	667,100	622,200	301,300	132,800

A. The Hines and Miami projects each consist of additional floors on top of existing building. Cost reduction items are partially implemented.

B. All of the above figures are based on the estimated values of the cost reduction items and are adjusted to the respective project locations.

C. "P" denotes partial implementation.

D. The above amounts are estimated cost savings. A detailed cost analysis could not be made because there are no specific "before and after" drawings.

Senator Garn—Continued

INSPECTOR GENERAL'S REPORT ON THE VA'S CONSTRUCTION PROGRAM

Question: Audits performed during this reporting period by the VA's I.G. identified the following areas where improvements could be made in the construction review and planning process.

- Current and projected workload data are often inaccurate, leading to exaggerated estimates of construction needs.

- Planners do not perform indepth onsite reviews to insure that proposed construction is needed.

- Alternatives to new construction, such as using vacant space or renovating existing facilities, are not always considered.

- Medical Centers are not required to submit detailed justifications for requested construction projects.

- Planners rigidly applied established Agency space criteria without fully assessing actual needs.

Audit of 12 planned major construction projects found that eight were overplanned and could be cancelled or reduced, saving up to $79 million. Program management agreed with the I.G.'s recommendations for strengthening the construction planning process. The VA I.G. also recommended that the Administrator of Veterans Affairs required that most planned construction projects for Fiscal Years 1984 and beyond, be re-evaluated to insure that they are needed.

Could you please respond to these recommendations?

Answer: In general, the Office of Construction (O/C) supports the I.G.'s recommendations, except for the last one -- Planners rigidly applied established Agency space criteria without fully assessing actual needs. O/C opposes de-emphasis of established space criteria since the result would be highly subjective determinations of space needs. There are reasons for departing from published criteria and O/C routinely develops and coordinates construction projects to cover situations where such a need is identified and justified. O/C does feel also that the potential savings of up to $79 million is greatly overstated, possibly up to 50 percent overstated. The results of the revalidation of the FY 1984 projects indicate that the existing procedures even with the deficiencies noted are working.

REPROGRAMMING OF SAVINGS ON CONSTRUCTION PROJECTS

Question: In the past, you have offset your funding needs for new construction projects with funds left over from prior years' appropriations. You are planning to apply $79,072,000 from previously funded projects to offset your FY 1984 construction requirements.

Would you provide a list, for the record, of the specific projects that comprise the $79,072,000?

Senator Garn—Continued

Answer: $79,006,000 from the Major Working Reserve is applied against the Major Appropriation. Of that amount, $72,806,000 is from savings on revised project costs based upon contract award and $6,200,000 is from savings based on financial completion of projects. Separate lists identifying the projects follow. The $66,000 applied against the Minor Appropriation did not come from projects but from unobligated General Administration funds. At the end of each fiscal year, surplus General Administration funds are transferred to a Minor Working Reserve for project or reprogramming use.

SAVINGS FROM REALIZED ESTIMATED COSTS

Location	Project No.	Description	Savings
Amarillo, TX	504-027	HVAC, Patient Privacy, Nurse Call System	$1,520,000
Atlanta, GA	508-013	Warehouse and Engineering Office	119,000
Augusta, GA	509A0/062	Dining and Food Preparation Fac.	96,000
Battle Creek, MI	515-080	Emergency Generator and Elec. Def.	465,000
Bedford, MA	518-069	Emergency Generator	93,000
Bedford, MA	518-074	Smoke Partition	320,000
Biloxi, MS	520-052	Emergency Generator & Elec. Def.	830,000
Biloxi, MS	520-054	Clinical Addn. & Outpatient	3,508,000
Buffalo, NY	528-041	Renovate SPD	628,000
Calverton, NY	805-008	Develop 25 Acres & Service Bldg.	337,000
Chillicothe, OH	538-072	Emergency Power Distribution	786,000
Cincinnati, OH	539-024	Remodel/Expand Canteen	22,000
Dallas, TX	549-026	120-Bed Nursing Home Care	1,280,000
Denver, CO	554-019	Clinical Support Wing, A/C, Safety & Fire Deficiencies	2,735,200
Fayetteville, AR	564-015	Air Conditioning	70,000
Fayetteville, AR	564-019	Clinical Addition	620,700
Gainesville, FL	573-009	Clinical Improvements, Research and Education	3,648,000
Grand Jct., CO	575,008	Emergency Generator & Elec. Def.	286,000
Grand Jct., CO	575-018	Electrical Deficiencies	250,000
Iowa City, FL	584-025	Safety & Fire Improvements	1,399,000
Jackson, MS	586-015	Update Regional Office	1,513,000
Kerrvile, TX	591-046	120-Bed Nursing Home Care	780,000
Knoxville, IA	592-061	Emergency Generator & Electrical Deficiencies	72,000
Lake City, FL	594-032	Renovate SPD	374,000
Memphis, TN	614-010	Ambulatory Care Addition	3,595,000
Murfreesboro, TN	622-040	Safety & Fire Improvments	1,569,000
Murfreesboro, TN	622-042	Renovate Wareds 6A and 6B	2,226,000
Muskogee, OK	623-035	Relocate & Expand Rehab. Medical Service	57,000
Muskogee, OK	623-036	Upgrade Electrical System	27,000
N. Chicago, IL	556-052	Safety & Fire Improvements	955,000
Northport, NY	632-048	Safety & Fire Improvements	2,100,000

SAVINGS FROM COMPLETED PROJECTS

Location	Project No.	Description	Savings
Alexandria, LA	502-060	Emergency Generator	$ 59,040
American Lake, WA	505-053	Renovate Wards Bldg. 7	105,571
Battle Creek, MI	515-080	Corr. Elec. Defic. & Gen.	77,576
Bay Pines, FL	516-061	Clinical Improvements	13,626
Biloxi, MS	520-052	Add'l Exits, Bldgs, 49, 59 & 62	45,951
Brockton, MA	525-017	Emerg. Gen. & Elec. Defic.	34,879
Brooklyn, NY	527-019	Additional Elevators	87,124
Cheyenne, WY	442-022	Emerg. Gen. & Elec. Defic.	82,620
Chicago, IL	535-019	Outpatient Clinic	1,395

Senator Garn—Continued

SAVINGS FROM COMPLETED PROJECTS

Location	Project No.	Description	Savings
Chillicothe, OH	532-070B	Modernize Bldgs. 7, 26, & 27	163,508
Chillicothe, OH	532-070A	Modernize Bldgs. 30 & 31	400,000
Chillicothe, OH	532-072	Emergency Generator Distr.	40,211
Cleveland, OH	541-008	Research Addition	25,698
Columbia, SC	544-024	Modernize New Bed Building	121,942
East Orange, NJ	561-022	Emer. Gen. & Corr. Elec. Def.	98,570
Fayetteville, AR	564-015	Air Conditioning	156,594
Fayetteville, AR	564-016	Correction of Elec. Defic.	15,020
Ft. Harrison, MT	436-036	Electrical Deficiencies	35,059
Grand Jct., CO	575-018	Electrical Deficiencies	53,609
Hampton, VA	590-050	120-Bed Nursing Home Care	156,672
Jackson, MS	586-015	Update Regional Office	1,341
Jefferson Brks, MO	787427002	Dev. 20 Acres & Add'l Fac.	28,929
Kansas City, MO	589-021	Deadend Corridor Stairs	60,585
Knoxville, IA	592-061	Emerg. Gen. & Elec. Defic.	85,744
Leavenworth, KS	686-048	A/C Bldg. No. 88, 89, 90, 91 & 122	9,611
Lebanon, PA	595-028	Emergency Generator	67,006
Lexington, KY	596-029	Air Conditioning	882
Long Beach, CA	600-028	Outpatient Clinic Expansion	139,626
Manchester, NH	608-008	120-Bed Nursing Home Care	38,282
Montgomery, AL	619-021	Upgrade Elec. System	1,944
Newington, CT	627-025	Outpatient Cl. Exp. & Alter.	21,602
New York, NY	630-017	Elec. Def. & Emerg. Gen.	36,153
Northampton, MO	631-047	Expan. of Outpatient Clinic	171,062
North Chicago, IL	556-056	Emer. Gen. & Elec. Defic.	90,645
Oklahoma City, OK	635-021	Corr. of Elec. Defic.	18,040
Omaha, NB	636-012	Air Conditioning	1,987
Omaha, NB	636-019	Two Additional Elevators	64,998
Palo Alto(PAD), CA	640-033	Update Elec. Power System	18,385
Palo Alto(MPD), CA	640A0/056	150-Bed Nursing Home Care	138,543
Palo Alto(MPD), CA	640A0/063	Emer. Gen. & Update Power Sys.	32,563
Perry Point, MD	641-071	New Clinical Admin. Bldg.	1,630,077
Philadelphia, PA	642-014	Research Addition	23,317
Phoeniz, AZ	644-006	328 Bed Addition	75,128
Phoenix, AZ	644-007	Modernization PH II	345,856
Roseburg, OR	653-026	Emer. Gen. & Elec. Def.	12,010
Salem, VA	658-048	Reloc. of Bldg. No. 7 for Acute Medical Care	47,455
Salem, VA	658-041	New Clinical Bldg.	83,512
Salem, VA	658-049	Emer.Elec. Power System	114,477
San Antonio, TX	671-001	760-Bed Hospital	217,007
San Francisco, CA	662-029C	460-Bed Building	99,312
Sepulveda, CA	665-011	Air Condition Various Bldgs.	42,715
Tucson, AZ	678-042	Ambulatory Care Cl. Expan.	138,764
Tuscaloosa, AL	679-025	Air Conditioning	133,098
Waco, TX	685-033	Boiler Plant Replacement	52,911
White River Jct.,VT	450-023	Clinical Improvements	7,057
Wood, WI	695-065	Emer. Gen. & Elec. Defic.	90,933
Wood, WI	695-061	200 Bed Domiciliary	241,021
Wood, WI	695-071	8" High Temp. Hot Water Line	42,757
		Sub-Total	$ 6,200,000
		Total Savings	$79,006,000

SAVINGS FROM REALIZED ESTIMATED COSTS

Location	Project No.	Description	Savings
Palo Alto(PAD), CA	640-033	Upgrade Electrical Power System	471,000
Palo Alto(MPD), CA	640A0/062	Center Core Building	10,718,000
Palo Alto(MPD), CA	640A0/063	Upgrade Electrical System	425,000
Perry Point, MD	641-077	Upgrade Town Sewage Treatment	36,000
Philadelphia, PA	642-027	Clinical Improvements	508,000
Poplar Bluff, MO	647-017	Emergency Gen. & Elec. Defic.	60,100
Poplar Bluff, MO	647-018	Correct Seismic Deficiencies	2,286,000
Quantico, VA	787348002	Dev. 26,400 Gravesites, PH 2	2,053,000
Quantico, VA	787348002A	Dev. 5,000 Graves, Admin. & Service Building	368,000
Salem, VA	658-043	Safety & Fire Improvements	1,972,900
Salem, VA	658-049	Emergency Electrical Power Sys.	194,000
Salesbury, NC	659-010	Deadend Corridor Stairs	904,000
San Antonio, TX	671-013	Sprinkler System	245,000
Sepulveda, CA	665-024	Safety & Fire Improvements	1,375,100
Shreveport, LA	667-018	Safety & Fire Improvements	215,000
Sioux Falls, SD	438-014	New Boiler Plant	541,000
Sioux Falls, SD	438-025	New Regional Office Building	1,094,000
Temple, TX	674-033	120-Bed Nursing Home Care	813,000
Togus, ME	402-054	Renovate Bldg. 207 1st and 3rd Floor	2,498,000
Tucson, AZ	678-048	Clinical Addn. for Lab. Surgery	7,606,000
Waco, TX	685-042	Emergency Gen. & Elec. Defic.	253,000
Washington, DC	688-013	120-Bed Nursing Home Care, Clinical Facilities	2,659,000
White City, OR	692-014	Renovate/Consolidate Rehab. Medical Service	389,000
Wichita, KS	452-031	Modernization - Alterations, Addition PH 1	954,000
Wichita, KS	452-035	60-Bed Nursing Home Care	1,350,000
Wood, WI	695-063	Relocate Nuclear Medicine	537,000
		Sub-Total	72,806,000

CONSTRUCTION AWARDS

Question: Why was your construction for October and November so far below your plans for FY 1983 -- is this typical of the beginning of the year start-up costs?

Answer: Actual obligations for the first two months of the fiscal year were below the plan primarily because several station level contracts were not awarded. These contracts were delayed due to protracted negotiations with small business minority contractors.

UNOBLIGATED BALANCES IN CONSTRUCTION ACCOUNTS

Question: At the end of FY 1982, you had $962,521,000 unobligated in your construction accounts. At the end of FY 1983, you expect this to be reduced to $773,446,000.

What is your current level of unobligated balances?

Answer: The current unobligated balance is $1,368,500,661 as of February 1983.

Question: At the end of FY 1984, you expect your unobligated balances to be $764,761,000.

Why is it necessary to carry such large unobligated balances in your construction accounts?

Answer: The necessity for carrying unobligated balances as reported in the budget is brought about by OMB and Congressional policy for full funding of projects. Nearly all projects during the first year obligate only funds required for design work, meaning that the remaining 90+ percent of provided funding is carried over into the next year. In addition, several fully funded replacement projects have future construction awards because of phased construction. These obligations can take place over several years. All projects under construction have reserve contingencies which must be carried until obligated or until the project is completed. The table below illustrates the expected breakdown of the $764.8 million projected for the end of FY 1984.

		($ in millions)
Major Construction		$ 641.5
Full Funding	$323.3	
Phased Construction	77.8	
Contingency Items	162.2	
Line Items	78.2	
Minor Construction		$ 123.3
Full Funding	$108.7	
Contingency Items	24.6	
Total Unobligated Balance		$ 764.8

GENERAL ADMINISTRATION

Question: This year you expect to increase your average employment in your construction program by 31, including 13 for General Administration.

What specific functions will these additional employees perform?

Answer: The requested increase of 31 will perform the following functions:

Purchase and Hire (+18 FTE) - This is a method of project accomplishment in which the VA purchases the necessary material and hires construction workers on an intermittent basis to perform the work. Beginning in FY 1983 we are including these workers in a non-ceiling category.

Resident Engineers (+10) - These employees are responsible for on-site supervision at VA construction projects throughout the country.

Architects/Engineers (+3) - This increase will go to those staffs providing technical services during project planning, design, and construction.

Question: This year you are requesting $15,953,000 for "Other Services." This is approximately two-and-a-half times the level of funding contained in your FY 1983 plan for "Other Services."

Please explain the specific uses of these funds in FY 1984?

Answer: Excluding personnel compensation and benefits and travel, Office of Construction funds will be used as follows:

	($000)	
	FY 1983 Current Estimate	FY 1984 Estimate
Transportation of Things	$ 250	$ 267
SLUC	...	2,131
Rent, Communication and Utilities	649	827
Printing and Reproduction	340	356
Other Services	2,545	11,567
Supplies	187	174
Equipment	603	631
TOTAL	$ 4,574	$15,953

Question: This year you are requesting $45,838,000 for your General Administration Activities under your construction programs. This represents a 35.3 percent increase over the FY 1983 level.

Why are you requesting such a large increase in FY 1984?

Answer: The increase in the Office of Construction's FY 1984 request, which is approximately 35.3 percent over our current FY 1983 estimate, can be seen in three areas:

Personnel compensation and benefits (+$511,000) - This increase is due to the 13 additional FTE and higher average salaries.

SLUC (+$2,131,000) - FY 1984 is the first year in which the Office of Construction has included SLUC payments in its budget.

Other Services (+$9,022,000) - The main reason for this increase is the one-time cost of $8,500,000 to perform physical assessments of the VA capital plant. There are also increases in other areas, such as surveys and miscellaneous other services.

Taken together, these three items represent almost 98 percent of the total increase.

NATIONAL INSTITUTE OF BUILDING SCIENCES

Question: In our FY 1982 Committee report, we asked the VA to cooperate with the National Institute of Building Sciences in a study aimed at established energy-efficient options for building design and operation.

Have you entered into such a contractual arrangement with NIBS?

What do you intend to do to respond to this direction from the Committee?

What specific project do you intend to work with NIBS during FY 1983 and FY 1984?

Answer: On August 31, 1982, the VA executed a contract with NIBS, in the amount of $71,650, to conduct a study on energy efficient options for building design and construction. NIBS proposed, and it was agreed, that the VA share of support for this effort would be used to develop model guidelines for the preparation of operating and maintenance manuals, Instructions of Operating Personnel, and building "start-up" and "shake-down." Improved operating and maintenance information and procedures are critical for energy-efficient building equipment.

A second support project to document and evaluate current practice and recommend improvements in the building projects approval systems in the U.S. was executed with NIBS on September 23, 1982.

For FY 1983, no additional projects are planned with NIBS.

For FY 1984, the second phase of the above projects are planned, depending on the successful completion of the Phase I efforts.

APPROPRIATION PROJECTIONS

Question: Your appropriation projections for your major construction program indicates an increase of approximately 6% annually over the next five years.

What was the basis for these projections?

Answer: Guidelines furnished by the previous Administrator dictated a growth of about 6% for the Major Construction program over the next five years. This growth is attributed to inflation costs only and does not include program growth.

INCREASED COMPENSATION FOR HOSPITALIZED VETERANS

Question: VA regulations provide for the assignment of a total (100%) disability rating when a veteran requires hospital treatment or observation for a service-connected disability for a period in excess of 21 days. The increase in benefits—a minimum increase of $451 per month—is effective the first day of continuous hospitalization and is terminated effective the last day of the month of hospital discharge. The total disability rating may be continued for another three months if convalescence is required.

How many cases received such increased payments in FY 82 and how much were compensation payments increased?

Answer: We did not maintain these types of statistics during FY 82 and are not currently maintaining them. If such information is desired for future years an expansion of the compensation and pension master records would be required to enable us to store and then extract the information. It is anticipated that such changes would require a minimum of two years to accomplish.

ACCOUNTS STRUCTURE

Question: This year, once again, you are recommending a change in the Compensation and Pension Appropriations account structure. You are requesting a three separate accounts Compensation, Pension and Burial Benefits and Miscellaneous Assistance be established.

Why is the Department making this request?

Answer: The appropriation split is proposed because: a) It would achieve a more informative presentation of government-wide budgetary requirements: b) Adoption of the split would more closely correspond to government-wide functional program classifiction and c) Adoption of the split would facilitate program presentation.

Question: What flexibility might you lose if these accounts were split in terms of transferring of funds?

Answer: In order to maintain our current flexibility in terms of transferring funds among these three programs, the "Administrative Provisions: paragraph of our annual appropriations act would have to be changed slightly. The paragraph allows transfers among "Compensation and Pensions", "Readjustment Benefits", and "Veterans Insurance and Indemnities." "Compensation and Pensions" would have to be changed to "Compensation", "Pensions", and "Burial Benefits and Miscellaneous Assistance." A slight increase in the percentages permitted to be transferred might also be in order.

VETERANS INSURANCE AND INDEMNITIES

Question: Your request for the Veterans Insurance and Indemnities (VI&I) program is $7.4 million.

Since OMB is estimating outlays of $7,247,000, why do you need the additional $153,000?

Answer: We are unaware of any reduction made by OMB. The requested $7,400,000 will be used to make the necessary payments to the USGLI and NSLI trust funds, to pay claims directly, and to supplement the Service Disabled Veterans Insurance revolving fund.

Question: How is the $7.4 million distributed across the various insurance programs?

Answer: It is anticipated that $4.5 million will be transferred to SDVI, $2.1 million to NSLI and USGLI and $.8 million will remain in VI&I to pay claims arising from the 3,210 policies funded directly by the VI&I appropriation.

Question: Why does your National Service Life Insurance and the U.S. Government Life Insurance Program require appropriated funds from the VI&I program given their large unobligated balances?

Answer: Sections 721 (a) and 757 (c) of Title 38 USC requires that payments traceable to the extra hazards of military service will be reimbursed from the Veterans Insurance and Indemnities appropriation.

DEPENDENCY AND INDEMNITY COMPENSATION

Question: What are your caseload and cost estimates for the Dependency and Indemnity Compensation Program over the next 5 years?

Answer: The caseload and estimated cost for the Dependency and Indemnity Compensation Program over the next 5 years is shown below:

	Caseload	Estimated Cost ($ millions)
1984	306,700	$1,776.4
1985	308,900	1,785.9
1986	311,100	1,791.5
1987	313,300	1,798.9
1988	315,500	1,808.8

DISABILITY COMPENSATION

Question: Conditions in VA's Schedule for Rating Disabilities which are listed as 30% and 40% disabling seem to vary widely in their severity. Listed as 30% disabling for example are such conditions as partial lung collapse, non-functioning of one kidney and anatomical loss of one eye. Also listed as 30%, however, are such seemingly minor conditions as moderate laryngitis, severe sinusitis and flat feet.

Do you believe that the rating schedule contains inequities in that some veterans may be overcompensated for their disabilities while others are undercompensated?

Answer: The disabilities of anatomical loss of one eye, non-functioning of one kidney and partial collapse of one lung or lobectomy are disabilities which are static and rated 30%, but leave sufficient vital capacity to enable an individual to function rather effectively on a day to day basis.

For example, a veteran with loss of one eye continues to have 75% effective visual acuity. Individuals with one kidney, some of whom are born with only one kidney, lead fully productive and useful lives. Those individuals with partially collapsed lungs or lobectomies continue to have sufficient vital capacity to continue their employment.

On the other hand, to qualify for a 30% evaluation for laryngitis, sinusitis or flat feet, each condition must be severe. The conditions of laryngitis and sinusitis in contrast to loss of eye, kidney or part of a lung which are static, are infectious processes. They have frequent severe incapacitating exacerbations resulting from inflammation of the affected tract. Sinusitis results in frequent headaches which at times may be excruciating. To warrant a 30% evaluation for flat feet, there must be evidence of marked deformity and pain and swelling on use. Since these are weight bearing joints, they interfere with ambulation and interfere considerably even with sedentary occupations.

In view of the foregoing, it is our opinion that the disabilities of severe sinusitis, laryngitis and flat feet are not overcompensated and that by comparison loss of an eye, kidney or part of a lung is not undercompensated.

Question: When was the last time that the rating schedule was reviewed?

Answer: The rating schedule was last reviewed and amended on August 12, 1981.

Question: What changes were made?

Answer: The endocrine system of the rating schedule was revised. This revision is contained in part IV, 38 C.F.R. 4.119.

Question: When is the next review expected to take place?

Answer: The Schedule for Rating Disabilities is reviewed on an ongoing basis in the light of new legislation and advances in medicine and surgery. As presently constructed, we believe that the various criteria used throughout the rating schedule are reliable and valid guidelines for measuring disabilities.

RE-EXAMINATION OF DISABILITY RATINGS

Question: At the time that a veteran's disability is being rated for a VA compensation or pension award, the respective VA regional office rating board makes a determination whether the disability is likely to improve materially in the future. If in its judgement the disability is likely to improve, the rating board schedules the future date when the veteran's disability should be considered for re-examination. Regional offices are responsible for ensuring that the re-examinations are scheduled and completed by the respective VA medical centers. The rating boards then reevaluate the disability in view of the recent medical examination.

VA regulations provide that when the degree of disability has not changed over a five year period, the disability is considered static and no further re-examinations are to be scheduled.

What is the cost to VA for conducting re-examinations?

Answer: The average total cost of a reexamination is approximately $91. This figure includes the costs of examining the veteran and reevaluating the claim. The actual cost in an individual case may be more than the average if specialized tests or examinations are required.

Question: How was five years selected as the standard interval for measuring disability improvements?

Answer: Sound medical principles hold that a condition which has not changed in severity for a period of five or more years is not likely to change in the future.

SMALL BUSINESS LOAN PROGRAM

Question: On November 3, 1981 when the President signed the Veterans' Health Care, Training and Small Business Loan Act of 1981, he stated that "Because this (loan) program might duplicate a similar program in the Small Business Administration and would involve the Veterans Administration in the area in which it has no expertise, I intend to weight carefully any efforts to fund this program".

In FY 83, the Congress appropriated $25 million for this program to the Small Business Administration (SBA).

What is the current status of these funds?

Answer: The Continuing Appropriations bill enacted on December 21, 1982 provided $25 million dollars to the SBA for direct loans to Vietnam era veterans and disabled veterans (as defined in the VA business loan statute). The legislation instructed SBA to use the funds "...under the general terms and conditions [for the VA small business loan act]. In the President's 1984 budget SBA reflects in the language for the business loan and investment fund that "additional capital for new direct loan obligations to be made only to disabled veterans and veterans of the Vietnam Era as defined in section 1841, title 38, United States Code, under the general terms and conditions of title III of Public Law 97-72, $25,000,000." According to SBA, all $25 million will be expended this year at a rate of $100,000 to $150,000 a loan. There have not been any loans made at this time under this program.

Question: Do you believe the SBA has the capability to conduct this program?

Answer: We believe the SBA has the capability to conduct a small business loan program for veterans. A new special assistance program is currently being developed within the SBA. The VA has offered the SBA any assistance we could provide in establishing such a program and has taken the initiative in appointing veterans-in-business coordinators in each VA field office with loan guaranty activities. The VA veterans-in-business coordinator will assist veterans with a need for business-type assistance by placing the veteran in contact with the local SBA employee who is knowledgeable concerning any benefits or advantages afforded by law to the veteran. At present, the VA veterans-in-business coordinators are referring veterans to the appropriate SBA Veterans Affairs Officer.

Question: Why haven't you requested any funds in FY 84 for this program?

Answer: Funds for the VA small business loan program were not requested in the 1984 fiscal budget based on the President's expressed reservations concerning the funding of this program when signing the Veterans' Health Care, Training, and Small Business Loan Act of 1981. The President stated, "Because this program might duplicate a similar program in the Small Business Administration and would involve the Veterans Administration in an area in which it has no expertise, I intend to weigh carefully any efforts to fund this program." In addition, the Small Business Administration (SBA) has authority to give special consideration to veterans and has announced new initiatives to assure that veterans receive expanded service. Qualified veterans may now receive higher priority in the processing and funding of SBA loan applications, with particular attention given to the handicapped and to Vietnam Era veterans. SBA will also be offering intensified management assistance and business training for veterans.

On-The-Job Training and Apprenticeship Program

Question: On October 10, 1982, the GAO issued a report calling for a reduction in the assistance provided to veterans in apprenticeship and on-the-job training programs.

What is your response to the claim that trainees received over $24 million more in assistance than they would have received if they were working?

Answer: The GAO report recommended a legislative change to preclude veterans pursuing apprenticeship or other on-the-job training from having a combined income of wages and VA educational assistance which would exceed the journeyman wage. The GAO estimated that, for veterans entering apprenticeship and other on-the-job training programs between January 1, 1978 and March 31, 1981, VA educational assistance combined with wages paid during the first six months of their training exceeded the wages veterans would have received as journeymen by approximately $24 million.

The VA does not concur with the GAO's recommendation. In the current economic environment, it would be inappropriate to reduce educational assistance benefits for apprenticeship and other on-the-job training. It is true that some veterans in these programs, most particularly in other on-the-job training, receive more in earnings and benefits than the journeyman wage. However, VA educational assistance benefits encourage unemployed veterans to aggressively seek out gainful employment. The programs also provide assistance to veterans who, as a result of service to their nation, enter the job market at a later age than nonveterans and who often have the additional responsibilities of a family.

CORRESPONDENCE TRAINING

Question: You expect to save $4.9 million by the termination of correspondence training in FY 84.

How many trainees did you have in the program during FY 82?

Answer: In 1982, there were 13,924 veterans, 7,191 servicepersons, and 27 dependents enrolled in correspondence training.

Question: What was the total cost in FY 82 and the cost per trainee?

Answer: The total cost in 1982 for correspondence training was $8.3 million at an average cost per trainee of about $394.

Question: Please provide the same information based on your FY 83 and FY 84 estimates if the program were to be continued.

Answer: In 1983, we anticipate that 16,100 veterans, 9,400 servicepersons and 20 dependents will train by correspondence. The total cost for these 25,520 trainees would be $5.6 million at an average cost of about $219. In 1984, we estimate 14,000 veterans, 8,200 servicepersons and 20 dependents will train by correspondence. The total cost for these 22,220 trainees will be $4.9 million at an average cost of about $221.

Question: How does the cost per trainee compare to the costs that the VA incurs in its regular training and education programs?

Answer: Average costs for correspondence training are lower than other types of training. For example, the average cost for veterans training in college in 1982 was $2,220 while the average cost of all correspondence trainees was $394.

Question: What percentage is now required in the correspondence program and each of your other training and education programs?

Answer: Currently, the veteran pays 45% of correspondence training costs while the VA will pay 55%. Other types of training for veterans (except flight training which is no longer open to new enrollees) have a set allowance scale with certain amounts authorized according to training time and number of dependents. These payments may or may not be sufficient to cover training costs depending on the training costs of the particular institution. Post Vietnam-era trainees have their monthly contribution matched 2 for 1 by the Department of Defense and their allowance depends on how much money they had contributed. Disabled veterans in a program of vocational rehabilitation receive a subsistence allowance as well as payments for tutition, fees, books, and other costs of education.

Question: Your caseload and obligational data indicates that the cost per trainee will decrease slightly in FY 84.

How do you account for this decrease?

Answer: The average cost of correspondence training drops from $394 in 1982 to $221 in 1984. In 1982 there were still individuals in training grandfathered at the 90% reimbursement rate. It is assumed that these individuals will have finished training by 1984 and all trainees will be at the 55% rate.

COMPENSATION AND PENSION ACCOUNT STRUCTURE

Question: Once again this year you are requesting a change in the Compensation and Pension account structure

What are your reasons for this requested change?

Answer: The appropriation split is proposed because:
a) It would achieve a more informative presentation of government-wide budgetary requirements; b) Adoption of the split would more closely correspond to government-wide functional program classification and c) Adoption of the split would facilitate program presentation. If this proposal is adopted the changes to Agency's Accounting System would be extremely time-consuming and expensive.

COMPENSATION AND PENSION COST OF LIVING INCREASE

Question: You expect to submit a request of $238 million for the cost of living increase in Compensation. In computing the amount of this supplemental, you have assumed a 5.1% cost of living increase.

Is this still your most current estimate for the cost of living increase?

Answer: The 5.1% increase is still our best estimate at this time. Any change to the COLA projections, however, would be taken into account before we finalize our proposal.

COST OF RECENTLY ENACTED READJUSTMENT LEGISLATION

Question: Please provide an estimate of the FY 83 and FY 84 costs of PL 97-72 and PL 97-306.

Answer: These laws, which extend the delimiting period for certain Vietnam era veterans, (2 years by PL 97-72 and one additional year by PL 97-306) result in a cost of $26.5 million for 13,600 trainees in 1983 and $35.1 million for 18,000 trainees in 1984.

READJUSTMENT BENEFITS - DOD MATCHING PAYMENTS

Question: In this Post-Vietnam Era Educational Benefits Program, individual contributions were matched on a 2 for 1 basis by the Readjustment Benefits appropriation. However, as of January 3, 1982, the Department of Defense will provide these matching payments.
As a result of this transfer to DoD, how much has the VA's budget decreased in FY 83 and FY 84?

Answer: It is estimated that in 1983 the Department of Defense will be making 2 for 1 matching payments of $33.3 million and $45.4 million in 1984. Therefore, the Readjustment Benefits appropriation requirements have decreased by like amounts.

DEBT COLLECTION

Question: Last year, you told us that you were investing about $12.5 million in your Debt Collection program and expected every $1.00 invested would return $5.00. You also said that you were in the process of reactivating about $198 million in debts on which collection action was terminated between June of 1975 and June of 1980.

How does your actual rate of return compare with the 5-to-1 estimate you gave us last year?

Answer: Our actual rate of return is 4.8-to-1 as compared to 5-to-1 estimate we gave you last year. The actual rate of return is computed as follows:

(a) Cash collections - FY 82:	$53.97 million
(b) Cost of collections:	$11.27 million
Ratio (a) ÷ (b):	4.8-to-1

Question: How much of the $198 million in terminated debts has been reactivated?

Answer: Terminated debts, in the amount of $263 million were reativated during May and June of 1982. The reactivated debts were broken down as follows:

Education	$191.8
C&P	$ 19.4
Loan Guaranty	$ 51.8
Total	$263.00

This represents a $65 million increase over our previous estimate.

Question: What has been your collection experience on these reactivated accounts?

Answer: Our collection experience on the reactivated accounts to date is as follows:

Dispositions	FY 82 (Oct-Sep)	FY 83 (Oct-Feb)
Number of Accounts	69,858	67,726
Dollar Value of Accounts	$3,708,026	$9,861,614

This shows that 137,584 accounts valued at $13,569,640 have been disposed of from October 1981 through February 1983.

Question: When will VA begin charging interest and administrative costs on delinquent debts resulting from a person's receipt of compensation and pension benefits, as required by Section 605 of Public Law 96-466, enacted October 17, 1980?

Anwser: The charging of interest and administrative costs on Compensation and Pension debts is scheduled for implementation in March 1984.

OUTLAY CHANGES FROM LOAN GUARANTY AND DIRECT LOAN REVOLVING FUNDS

Question: I notice that you are estimating outlay increases of $453,091,000 and $149,134,000 in your Loan Guaranty and Direct Loan Revolving Funds respectively.

How do you account for these large increases in outlays?

Answer: The primary cause of increased outlays in the Loan Guaranty program is a reduction in loan sales (net of discounts) of $348 million. As a consequence of our loan sale activity, interest income and loan repayments are estimated to decrease by $39.8 million and $20.3 million respectively. The makeup of our remaining portfolio, indicates premium income from loan sales will also decrease by $12.8 million. The reduction in collections is further aggreviated by a $31.1 million increase in obligations caused primarily by a $38.6 million increase in repurchases of loans previously sold.

In the Direct Loan program, because we are not offering loans for sale in 1984, collections will decrease by $114.3 million. As a result of the 1983 sales, collections from interest income and loan repayments will also decrease by $13.4 million and $20.5 million respectively.

INCOME VERIFICATION

Question: You estimate that in FY 84, over 1.7 million beneficiaries would receive an estimated $4.0 billion in non-service connected pension benefits in 1984. The benefits payable under the pension program are based on income reported by the beneficiaries.

Besides the routine exchange of beneficiary data with the Social Security Administration, what does VA do to verify income reported by pension beneficiaries?

Answer: Our policy relies strongly on accepting the self-reported information from beneficiaries. When complex issues require further evidentiary support, we require claimants to provide corroborating reports from an employer or other source, e.g., another Federal program.

We are in the process of upgrading our exchange of data with the Social Security Administration. This upgrade will allow us to obtain information from SSA each time that an adjustment occurs, without need for a request, as currently occurs twice each year.

We are also implementing exchanges with other Federal agencies to obtain verification of income received from the Department of Labor - Black Lung Program, the Railroad Retirement Board, and the Office of Personnel Management - Civil Service Annuity Program. We anticipate conducting an annual exchange to obtain information about adjustments in these programs. The exchanges will immediately follow cost of living adjustments in the programs' benefit payments. Also we will be requiring supporting data whenever medical expenses appear excessive.

END-OF-YEAR RULE

Question: Section 3012 of Title 38 provides that where a benefit is to be reduced or discontinued by reason of a dependent's or survivor's marriage or death, or a veteran's divorce or annulment, the effective date for reduction or discontinuance shall be the last day of the calendar year in which the event occurred. VA is recommending that the effective date be changed from the end of the calendar year to the end of the month in which the event occurs.

What is your rationale for recommending this legislative change?

Answer: Public Law 97-253 included provision in Section 402 to change 38 U.S.C. 3012(b)(2) from an "end of year" rule to an "end of month rule." The change applied for discontinuations based on losses of dependents that occur after September 30, 1982.

The change of law affects awards for veterans and surviving spouses who receive disability and death benefits under current provisions of law. It does not affect awards to beneficiaries receiving disability or death pension payments under the savings provisions of Sec. 306, Public Law 95-588.

In 1971 we argued against the creation of the end of the year rule in lieu of the then current end of month rule. Basically, we believed that payment of the additional 1 to 11 months of benefits for dependents already lost resulted in payment for "non-existent dependency status." This rationale remains valid and was our reason for proposing the legislative change to return to the end of the month rule.

Question: You have estimated that this legislative proposal will result in a savings of $1.4 million affecting 7,100 veterns and 100 survivors in the compensation program and $1.8 million savings affecting 4,400 veterans in the pension program.

How did you develop these estimates?

Please provide for the record a breakdown of reduction or discontinuances, by reason i.e. marriage, death, divorce and annulment and by dependent type i.e. spouse, child and dependent parents.

Answer: The savings assumed for FY 1983, assuming an effective date of October 1, 1982, were $1.4 million in Compensation and $1.8 million in Pensions. The following statistics were applied to the appropriate caseloads in the Compensation and Pension programs:

. 5 divorces per 1,000 marriages (1979 Statistical Abstract of U.S.).

. 24 child deaths per 10,000 children (1979 Statistical Abstract of U.S.).

. 6.3 child marriages per 100 children (1979 Statistical Abstract of U.S.).

. Deaths of spouses by war period of veterans - subtracting 3 years from the average age of veteran and applying mortality tables.

The resultant affected caseload was multiplied by a half year average payment for the type of dependent, as it was assumed that the causes of dependency change would be evenly distributed throughout the year.

The following caseload data were used for fiscal years 1983 through 1987.

	COMPENSATION				PENSION			
	Wife Death	Wife Divorce	Child Death	Child Marriage	Wife Death	Wife Divorce	Child Death	Child Marriage
FY83	2,800	3,000	300	1,000	2,655	760	35	950
FY84	2,800	3,000	300	1,000	2,990	830	40	1,040
FY85	2,800	3,000	300	1,000	3,465	890	45	1,100
FY86	2,800	3,000	300	1,000	3,760	930	50	1,160
FY87	2,800	3,000	300	1,000	4,175	970	55	1,200

COST SAVINGS FROM RECENTLY ENACTED LEGISLATION

Question: Please provide for the record, the expected cost savings during FY 83 and FY 84 of PL 97-253.

1983 and 1984 Savings of PL 97-253
($'s in millions)

	1983	1984
Compensation:		
1st full month of entitlement	$23.8	$24.8
End of year to end of month	1.4	1.4
Pensions:		
1st full month of entitlement	36.6	38.8
End of year to end of month	1.8	2.1
Issue checks in even dollars	3.6	10.4
Loan Guarantee:		
1/2% home loan fee	82.2	90.1
General Operating Expenses:		
Eliminate insepection of voc-rehab institutions that insure 50+% trainees employed in field of training	0.223	0.225
Total Savings	$149.623	$167.825

EFFORTS TO IDENTIFY INELIGIBLE BENEFICIARIES AND IMPROPER BENEFIT PAYMENTS

Question: VA is the lead agency on two projects of the President's Council on Integrity and Efficiency (PCIE) which involve computer matches of Federal employment and benefit files to identify improper benefit payments and persons with delinquent loans. What specific VA benefits eligibility requirements are being investigated?

Answer: Income reporting requirements for:

1) Veterans receiving pension benefits, and
2) Veterans receiving 100 percent compensation benefits based on unemployability.

Question: How many ineligible VA beneficiaries and incorrect benefit payments have been identified?

Answer: Computer screening criteria produced "raw hits" totaling 4,970 pension recipients and 196 individuals receiving 100% compensation for unemployability. These cases were selected for adjudicative review at VA Regional Offices. Specific ineligibles and incorrect payment amounts have not been finalized.

Question: What is the dollar magnitude of incorrect VA benefit payments identified thus far?

Answer: The VA Regional Office adjudicative review is scheduled for completion during April 1983. The final dollar magnitude will be identified during the third quarter of Fiscal Year 1983.

Question: Have any of the computer matches involved verifying the accuracy of income reported to VA for pension benefits?

Answer: Yes. A match of Federal military/civilian active and retired employee income data has been made. This match resulted in the adjudicative review of 4,970 "hits" for pension recipients to verify the accuracy of reported income.

Question: What methods are available to VA for verifying reported income?

Answer: Verification methods include:

1) Automated Data Exchange between the VA and Social Security Administration, and between VA and Department of Defense,

2) Annual Income Questionnaires for Income Dependent Program Beneficiaries, and

3) Direct contacts with veterans, employers and annuitants sources during individual case reviews.

Question: Have any of the computer matches involved confirming marital status and detecting unreported marriages of deceased veterans' surviving spouses?

Answer: No. None of the computer matches involved confirming martial status or detecting marriages of deceased veterans' surviving spouses.

Question: What does VA do to detect unreported remarriages of deceased veterans' surviving spouses?

Answer: We rely on self-reporting in this area. We know of no method which would be successful and cost effective other than this method. Recording of marriages is strictly a local government function. There is no identifying information, other than name, on which to pursue matching. Name alone, given the number of common first names and surnames, would not be a valid indicator. The efforts to resolve "apparent" matches would involve extensive additional personnel resources. We also believe many local governments would charge for assistance in matching, further inflating the costs.

Question: What does VA do to remind beneficiaries of the requirement to report changes in marital status, particularly dependency and indemnity compensation beneficiaries who do not receive an annual income questionnaire?

Answer: Beneficiaries who received pension or DIC parents' payments in the past have been reminded at least twice each year to report changes in dependency status. Also a computer generated notice of the cost of living adjustment included a statement that such changes are to be reported. Pension beneficiaries also receive either an income questionnaire, which includes marital status reporting requirements, or a notice of exemptions from the reporting requirement, which reminds beneficiaries to report changes.

In May 1982 we issued special notices to beneficiaries receiving additional benefits for dependents, including veterans and widows. This notice was issued by check stuffer and was used both for service-connected and nonservice-connected beneficiaries to remind them to report changes in the number of their dependents. The stuffer did not address the surviving spouses' requirement to report material status changes.

Question: What is the status of computer matches to identify deceased persons being sent VA benefit checks?

Answer: A final report was issued on September 29, 1982.

Question: How many deceased persons were identified as receiving VA checks?

Answer: Final results identified checks going to 256 deceased individuals and $1.2 million of overpayments. Nearly $490,000 was immediately recoverable from banks and returned checks. Accounts receivables were established by DVB for the remaining $710,000.

Question: What progress has been made on the PCIE project to establish a national file of deceased persons?

Answer: Surveys of State Death Data completed. States have been identified that have automated death records and do not have privacy restrictions on release of data. Requests will be made from all Federal and State sources in April 1983 with a target date of May 1983 for a skeleton national file.

POST-VIETNAM ERA EDUCATION WORKLOAD DATA

Question:

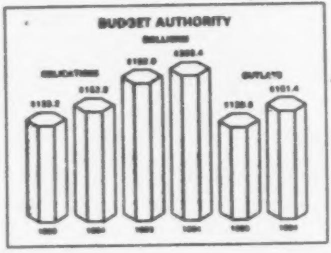
On page 21-12 of your budget justification, you present your workload data for the Post-Vietnam Era Veterans Education Account. That table has a typographical error in one of the workload figures. Could you please submit a corrected copy for the record?

Answer:

A corrected copy is attached.

POST-VIETNAM ERA VETERANS EDUCATION ACCOUNT

Public Law 94-502 established the Post-Vietnam Era Veterans Educational Program. Its purpose is to provide educational assistance to those persons who enter the Armed Forces after December 31, 1976. The law also established a trust fund to be titled the "Post-Vietnam Era Education Account" to serve as the financing mechanism for this program. This account consists of voluntary contributions by eligible servicepersons and matching contributions provided from the Readjustment Benefits appropriation before January 1, 1982, and by the Department of Defense thereafter. Contributions may range from $25 to $100 a month with lump-sum payments permitted. In addition, the Department of Defense will provide funds for "bonus kickers" and Section 901 and 903 training under P.L. 96-342.



The budget authority for this account is a permanent and indefinite authorization consisting of all servicepersons and government contributions. The authority to distribute these funds does not require annual action by the Congress.

Workloads and Outlays

(Dollars in thousands)

	1982	1983	1984	Change
Obligations ($000's):				
Disbursement post-Vietnam veteran trainees	$21,657	$49,050	$68,100	$+19,050
Payment to section 901 trainees ..	...	240	3,200	+2,960
Participants disenrollments	$8,554	$3,910	$1,600	-2,310
Total	$110,211	133,200	152,900	+19,700
Workload:				
Participants	299,174	330,200	355,900	+25,700
Trainees	11,156	25,300	35,100	+9,800
Section 901 trainees	...	200	900	+700
Disenrollments	74,479	72,000	70,000	-2,000
Cash Income (Budget Authority):				
Department of Defense (Bonus)	499	7,000	...	...
Department of Defense (Matching) .	15,197	33,319	45,400	+12,081
Department of Defense (Section 901)	...	240	3,200	+2,960
Department of Defense (Section 903)	...	600	1,500	+900
Total income (budget authority)	$161,057	$191,959	$203,400	$11,441
Outlays	$107,453	$130,600	$151,400	$+20,800

Senator Garn—Continued

EDUCATIONAL ASSISTANCE OVERPAYMENTS

Question: Your Educational Assistance Overpayments outstanding as of December 31, 1982 amounted to $601.4 million or an increase of $177.9 million over the amount outstanding as of the previous year.

How much was collected during this time period?

Answer: Collections of $50,589,000 were made as of December 31, 1982. This includes offsets, waivers and terminations.

Question: How do you explain the fact that VA cannot show a greater reduction in the amount of overpayments outstanding?

Answer: An increase in the amounts of overpayments outstanding is a result of reactivation of previously terminated accounts which were reactivated during May and June 1982.

Question: During the FY 82 and FY 83 appropriations hearings, VA indicated that overpayments are caused by the fact people interrupt their training and VA does not get notification of such interruption.

What has VA done during the past year to improve this situation and how do you evaluate the success of these efforts?

Answer: School failure to report changes in enrollment is most often identified during VA compliance surveys. School liability may be assessed for a school's failure to report changes in enrollment. School liability procedures are being strengthened to ensure that any potential liability is identified, actual liability is properly assessed and collection is made. VA field station personnel are making regular liaison visits to schools to assist and instruct school officials.

Most cases of interruption in training result from a failure to enroll for the second or subsequent school term following the fall term. We have prepared a change to the VA regulations which will require schools to certify one term at a time. This change is currently being reviewed by OMB for approval.

With the approval of the change in regulations and our continued efforts to insure that school officials are aware of the problem and of our administrative requirements, we anticipate that educational assistance overpayments will be reduced.

Senator Garn—Continued

Question: On October 17, 1980, Public Law 94-466 was enacted to help VA solve its debt collection problem by permitting it to: (1) Report delinquent debts to consumer reporting agencies, (2) Charge interest and administrative costs on delinquent debts and (3) use its own attorneys to litigate certain debts.

What is the current status regarding the implementation of the Debt Collection Provisions of P.L. 96-466?

Answer: (1) The reporting of delinquent debts to consumer reporting agencies is scheduled for implementation in October 1983. (2) The charging of interest and administrative costs on delinquent debts is broken down into a two part initiative. Implementation for delinquent education debts is scheduled for April 1983. Implementation for delinquent Compensation and Pension debts in scheduled for March 1984. (3) The VA is currently using its own attorneys to litigate delinquent education debts between $200 and $1200. We are scheduled to begin referring compensation, pension and loan guaranty debts to our attorneys for litigation in July 1983.

Question: Last year, you testified that the charging of interest and administration costs on delinquent debts will go into effect in November 1982 and the reporting of such delinquent debts to consumer reporting agencies in August 1983.

What is the status of these efforts?

Answer: The charging of interest and administrative costs on delinquent education debts is scheduled for implementation in April 1983. Implementation was delayed due to the overall impact of the initiative in terms of complexity, manpower and equipment requirements. The current system required extensive expansion and redesign to incorporate the interest and administrative cost charging initiatives.

The reporting of delinquent debts to consumer reporting agencies is scheduled for implementation in October 1983. The delay is due to the extensive redirection of manpower needed for the implementation of interest and administrative cost charging.

OFFSETS OF VA BENEFITS WITH OTHER FEDERAL BENEFITS

Question: VA pension payments are offset by payments under the Old Age Survivors and Disability Insurance (OASDI) program.

How frequently does VA cross-check OASDI computerized payment records to identify needed adjustments in benefits and what is your rationale for how often this should be done?

Answer: Our current exchange of information with the Social Security Administration to verify OASDI program income occurs twice yearly. We verify income immediately following the cost of living increase in Social Security benefits and immediately before our annual income questionnaire processing cycle. These two periods are considered "critical" since VA benefit adjustments occur in volume during these periods.

We have long recognized a need to obtain information more frequently in cases involving Social Security income. This is particularly true since many VA beneficiaries acquire Social Security entitlement following the award of VA benefits.

We are therefore working with the Social Security administration to implement a cyclic exchange of information. Under the revised agreement the SSA will provide notice to the VA each time Social Security benefits are awarded or adjusted for a VA beneficiary.

Question: How many needed adjustments in VA benefits have been identified with each of these checks?

Answer: We have no records establishing the number of VA adjustments which have resulted from the data exchanges. We do feel that the exchange is worthwhile and are upgrading it as described above.

Question: Has the savings identified justified the cost of more frequent checks?

Answer: We do not have a record of savings occurring as the result of our exchanges.

INCARCERATED BENEFICIARIES

Question: P.L. 96-385, enacted in October 1980, limited VA disability and dependency and indemnity compensation paid to incarcerated beneficiaries. In December 1981, Congress enacted P.L. 97-123 which requires Federal, State and local correctional authorities to make available to the Secretary of Health and Human Services, upon written request, the names and social security numbers of incarcerated beneficiaries.

What procedures has VA developed in concert with the Social Security Administration to identify incarcerated beneficiaries?

Answer: We have had informal contact with the Social Security Administration within the past 6 months which indicates that they have had a number of problems in utilizing incarceration data obtained from the States because of limitations on information in State records. We have also learned that the Social Security Administration's Region IV implemented P.L. 97-123 by signing an agreement with each of the eight States in that region under which SSA agreed not to release incarceration information to any other agency or person. That region was taking action last year to request those States to amend the agreement to permit release of incarceration data to the VA in compliance with P.L. 96-385 and to any other agency in compliance with legislation enacted by Congress.

To date no procedures have been developed with SSA for sharing of incarceration data. We recognized at the time the GAO recommendation was made that capability for an automated exchange adequate to permit VA award adjustment is required.

Question: What are the results of VA's efforts to identify incarcerated beneficiaries, i.e., number identified and savings achieved?

Answer: P.L. 96-385 was implemented within the VA by directives providing for each RO to establish and maintain a liaison with the State correctional authority (and with any Federal penal institution) within the RO's jurisdiction to provide systematic notification of incarceration of VA beneficiaries. Notification is furnished on a case-by-case basis with the fact of incarceration maintained in the VA automated payment record. The number of affected cases is not included in any established report nor has a cost savings been determined.

COMPENSATION AND PENSION CASELOAD ESTIMATE

Question: Please provide for the record, the projected caseload figures for your Compensation and Pension programs for FY 83 and FY 84.

Answer: The estimated caseload for each program is as follows:

	1983 Estimate	1984 Estimate
Compensation		
Caseload:		
Veterans	2,267,000	2,264,750
Survivors	349,000	347,500
Clothing Allowance (non-add)	(66,800)	(66,700)
Total	2,616,000	2,612,250

	1983 Estimate	1984 Estimate
Pensions		
Caseload:		
Veterans:		
Improved Law	394,000	426,000
Prior Law	389,000	334,000
Old Law	20,000	15,000
Total	803,000	775,000
Survivors:		
Improved Law	220,000	238,000
Prior Law	670,000	609,000
Old Law	42,000	38,000
Total	932,000	885,000
Total Cases	1,735,000	1,660,000

Question: Did you use the same assumptions and methodology in arriving at your FY 84 estimates as you used in FY 83?

Answer: The same assumptions and methodology were used to prepare the 1984 estimates as were used to prepare the 1983 estimates.

LOAN GUARANTY REVOLVING FUND

Question: During 1983, the Veterans Administration expects to sell all of its marketable vendee portfolio (estimated at $725.1 million). The total amount available for sale has been reduced by $150 million, corresponding to an additional amount of loans sold during 1982.

What are your estimates for FY 84?

Answer: During 1984, the gross amount of the salable portfolio loans is estimated at $408,014,000. The $377,098,000 shown in the budget is net of discounts and does not reflect an estimated $12,750,000 in premiums from the sale of these loans.

Question: How do your total receipts in FY 83 to date compare to your estimate of $966,711,000?

Answer: During the first 4 months of FY 83, total receipts amounted to $413,711,000, representing 43% of the estimated $966,711,000 in total collections. If we expect to meet the $966.7 million in receipts we will need to have further loan sales netting $426.6 million which include premiums. However, results of the past two loan sales revealed few bidders for our low interest rate loans which now make up the greater portion of our portfolio.

Question: Do you expect to sell the $725,128,000 in loans during FY 83?

Answer: The gross amount of loans offered for sale is $899,109,000 with discounts of $173,981,000 netting $725,128,000. In addition, we are estimating $25,500,000 in premiums will be realized on our higher interest rate loans.

Recently, we have experienced buyer resistance to the purchase of lower interest rate loans. The results of the past two loans sales (January 18 and February 22, 1983) were disappointing in that there were few, if any bidders for our low interest rate loans. For example, in our last sale we offered $198,230,000 worth of loans and accepted only $82,736,000, with a net sale figure of $75,908,000. The interest rates on the loans offered for sale ranged from 8½ percent to 12 percent. It seems that investors are reluctant to purchase low balance, low interest rate loans which now is a greater portion of our portfolio as they are considered unprofitable to bidders. To cover this shortfall we plan to request a $300 million transfer of monies from the Direct Loan Fund to the Loan Guaranty Fund to assure that we have adequate funds to meet our obligations.

DEPENDENCY AND INDEMNITY COMPENSATION

Question: VA benefits to widows are terminated upon remarriage. However, benefits are reinstated if these widows' remarriages end.

How many widows would you estimate are currently receiving benefits who had previously remarried and had benefits terminated, then restored upon their remarriage?

Answer: Information is not available from which an estimate can be made. We have had no need to maintain this information in an automated system. Once a widow established eligibility for death benefits based on the termination of a remarriage, a master record was established, or reestablished if benefits were paid prior to the remarriage. These master records are indistinguishable from other types of master records. If such information is desired for future awards an expansion of the compensation and pension master record would be required to enable us to store and then extract the information. It is anticipated that such changes would require a minimum of two years to accomplish, and, would indicate only new awards. Awards made since the change in the law permitting benefits to remarried widows cannot be identified.

Question: Do you know how many widows on the average each year have benefits restored upon the termination of their remarriages?

Answer: We do not have information regarding the number of widows whose benefits are restored each year upon termination of remarriage. We have never had the need to maintain this information. Termination of remarriage is only one of numerous factors which are considered in determining eligibility for benefits. It has not been considered necessary to separately identify this factor in the master record. If such information is desired on a continuing basis, an expansion of the compensation and pension master record would be required. It is anticipated that such changes would require a minimum of two years to accomplish.

FY 83 LEGISLATIVE COST SAVINGS

Question: Last year, you provided this Committee with estimates of the savings that would be realized if a variety of legislative proposals were enacted.

Please provide a list of the savings you originally projected and your current estimates.

Please explain any discrepancies.

Senator Garn—Continued

1983 Proposed Legislation Cost Estimates versus Current Estimates

	1983 Savings ($'s in millions)	
	Proposed	Current Estimate
Compensation:		
1) 1st full month of entitlement	$ (9.0)	$(23.8) 1/
2) end of year to end of month	(1.4)	(1.4)
3) eliminate dependent allowance for 30 - 40%	(135.3)	(0.0) 2/
Total Savings	$(145.7)	$(25.2)
Pensions:		
1) issue checks in even dollars	$ (10.8)	$ (3.6) 3/
2) 1st full month of entitlement	(19.8)	(36.6) 1/
3) end of year to end of month	(1.8)	(1.8)
4) amend definition of dependent child	(30.3)	0.0) 2/
Total Savings	$ (62.7)	$(42.0)
Readjustment Benefits:		
1) eliminate correspondence training	$ (5.6)	$ (0.0) 2/
2) eliminate subsistence allowance for voc-rehab. dependents	(19.7)	(0.0) 2/
Total Savings	$ (25.3)	$ (0.0)
General Operating Expenses:		
1) eliminate inspection of voc-rehab. institutions that insure 50+% trainees employed in field	$(0.223)	$(0.223)
Loan Guarantee:		
1) 1/2% home loan fee	$(82.2)	$(82.2)
Total Proposed Legislation:	$(316.123)	$(149.623)

1/ Reflects the effects of PL 97-253 which included on-roll cases as well as new cases.
2/ Not enacted
3/ PL 97-253 established an effective date of July 1, 1983 instead of October 1, 1982.

DEPARTMENT OF VETERANS BENEFITS

Question: This year you are requesting an increase of $10,731,000 for Office Services in your Department of Veterans Benefits.

Why do you require such a large increase in "Office Services"?

Your average employment tables show a decrease of 125 and 162 in "Veterans Services" and "Compensation, Pension and Education " activities, respectively.

How will these decreases be accomplished and how do they relate to the expected workload?

Answer: In 1984, the Department of Veterans Benefits anticipates increases in all object classes in Office Services except Payroll. The largest increases are expected in Rents, and Equipment. In 1984, the Department will be charged $48,680,000 for the Standard Level User Charge, an increase of $11,219,000 over 1983. Equipment purchases will increase over 1983 by $3,157,000 to provide $1,800,000 for the purchase of video display terminals for a rapid access capability to all Loan Guaranty ADP systems and $1,357,000 for the additional replacement equipment necessitated by the slippage of upgrade planned during the past fiscal years. Increases in Travel, Transportation of Things, Other Rents, Communications and Utilities, Printing and Reproduction, Other Services and Supplies and Materials amount to $1,916,000. These increases are offset by decreases in Personal Services ($711,000) and Long Distance GSA (FTS) Telephone charges ($4,850,000).

Average employment decreases in Veterans Services and Compensation, Pension and Education will be accomplished through normal attrition, and are the result of anticipated reductions in workload in these programs.

JACKSONVILLE RELOCATION

Question: Last year, you stated that the fiscal year 1984 budget would identify 27 people saved as a result of moving the Jacksonville Loan Guaranty Division to St. Petersburg, Florida.

What is the current status of the Jacksonville Relocation?

Answer: The first phase of the relocation has been completed. Thirty (30) employees are currently staffing the Loan Guaranty unit at the St. Petersburg VARO. A staff of five Loan Guaranty Division personnel will be left in Jacksonville to perform field work and provide service to the area. The remainder of the Loan Guaranty Division Employees will report to St. Petersburg within the next four (4) months.

Question: How much in savings resulting from the move does this year's budget reflect?

Answer: We have accepted the GAO savings estimate of 18 people and reflected them in our 1984 budget request.

Question: How has the relocation, coupled with an increase in Loan Guaranty applications as interest rates have declined, effected your ability to process guaranty applications in a timely manner?

Answer: The relocation is being accomplished without disruption in service to veterans. Since the relocation effort began loan applications have been processed consistently within timeliness standards.

Question: How many people in the Loan Guaranty Division quit their jobs rather than move?

Answer: To date, no employees have quit due to the relocation, however, we do anticipate some resignations once the actual notice to report to St. Petersburg is issued to those employees still in Jacksonville.

ADP FOR THE INSURANCE PROGRAM

Question: Last year, I asked what the VA was doing to update its insurance program ADP capabilities.

In response, you stated that Phase I of the upgrading -- involving an on-line inquiry system -- would be installed early in calendar year 1983.

What is the current status of Phase I?

Answer: During 1982 the design specifications were developed for an on-line inquiry system to display insurance in-force and awards master records via video display terminals. The programs for the inquiry system are currently being developed. The schedule calls for in-force inquiry and awards inquiry to be available in April 1983 and August 1983, respectively.

Question: What are your plans for Phase II?

Answer: Preliminary work has already begun on the second phase of the insurance redesign project, an on-line data entry update system.

The phased implementation of the data entry update portion of redesign is expected to begin in December 1983 and be completed by October 1985.

GI BILL REPORTING FEES

Question: Last year I asked you about the adequacy of the reporting fee that is paid to the colleges from the Veterans Administration.

Have you, at this time, developed any estimates as to the average processing costs incurred by institutions to perform this paperwork?

Answer: We continue to receive complaints from educational institutions throughout the country, indicating that they are unable to maintain adequate administrative functions concerning veterans and eligible persons based on the current payment from the VA. There is no availabe estimate concerning the "average processing costs incurred by institutions". Determination of such average costs would be difficult and could not be done expeditiously.

Question: What impact would it have on the program if these fees were increased, both in terms of costs and in terms of program administration?

Answer: There will be initial programming modifications which would result in some negligible costs, i.e. not more than $5,000. There would not be any other significant administrative costs. Additional funding for the increased payments would be required. An increase in the reporting fee would encourage the schools to improve their administration of veterans' and eligible persons' enrollments. This would complement the VA's efforts to reduce education overpayments. This benefit was considered during the development of the agency's budget. We will continue to work with the schools to improve the reporting process.

FORT RICHARDSON - ANCHORAGE, ALASKA

Question: How much are you requesting for the operation of the post cemetery at Fort Richardson in Anchorage, Alaska during FY 1984?

Answer: A total of $90,000 is being requested for operation of the Fort Richardson cemetery in FY 1984. This includes an estimated $40,000 for contract interments - 100 at $400 per interment; $15,000 for the maintenance of the cemetery for mowing, grass sowing, headstones maintenance, etc.; $15,000 for utilities, trailer rental, office supplies and equipment; and $20,000 for the hiring of one administrative position to handle the cemetery clerical workload.

Question: Please describe the nature and terms of the contract for the operation of this cemetery.

Answer: The terms of the contract would be similar to the contract we currently have for the Fort Custer Post Cemetery. The contractor will bid on a contract to do 100 interments and maintain 1,400 gravesites annually. The terms will be written so that VA will only be charged for the actual interments performed. That is, if only 80 interments are required, the VA will only pay for 80.

GRAFTON NATIONAL CEMETERY EXPANSION

Question: The FY 1984 Construction, Minor request includes $1.75 million for the expansion of the Grafton National Cemetery. Does the $1.75 million include any funding for the purchase of land?

Answer: No. The $1.75 million is only for construction. This expansion will require the donation of four acres of residential property adjacent to the Grafton National Cemetery as VA does not purchase land for the acquisition or expansion of national cemeteries. The VA policy is to utilize only donated or excess federal lands for cemetery purposes.

Senator Garn—Continued

BENEFIT PAYMENTS TO DECEASED INDIVIDUALS

Question: On December 20, 1981, you announced a computer matching operation to determine where the benefit payments are being made to individuals who may, in fact, be deceased. Last year, you testified that you planned to review individual cases to recover erroneous payments. What is the current status of your efforts in this area?

Answer: The IG's office continues to review the cases referred for possible criminal violators and initiate investigations on cases which warrant investigation.

Question: How many criminal investigations have you initiated?

Answer: Twenty-two cases have been approved for investigation.

RECORD NUMBER OF APPEALS FILED

Question: Last year, you noted that claimants filed a record number of appeals in FY 1981 (68,183) and that there were no indications of a downturn in the high number of appeals. Is the appeal rate continuing to increase?

Answer: Yes. In fiscal year 1982, claimants filed 68,558 notices of disagreement (NOD)--a new record. Through the first quarter of FY 1983 we note that the trends continue. Looking at the same periods (October 1 through December 31) of the past three years, we see:

FY 1981	15,357
FY 1982	16,441
FY 1983	17,729

RESPONSE TIME OF THE BOARD OF VETERANS APPEALS

Question: You also note that response time continues to increase: 227 days in FY 1981; an estimated 268 days in FY 1982; and an estimated 313 days in FY 1983. What is your actual response time in FY 1983 and what do you project for FY 84?

Answer: Through the first quarter, fiscal year 1983, response time chargeable to the Board of Veterans Appeals (BVA) stood at 282 days (about 9¼ months)--with overall response time (NOD to BVA decision) a little more than 16 months. We expect our response time to reach 325 days by the end of fiscal year 1983. With our reorganization to 19 Board Sections in FY 1984, we projected the BVA portion of response time to drop back to 273 days by the end of FY 1984.

Question: You estimated that the average response time for appeals will be 268 days in 1982 compared to 227 in 1981. In addition, the number of appeals pending in 1982 was estimated at 36,700, an increase of 4,900 appeals since 1981. Both of these factors have been on the rise for many years and are expected to continue. What was the actual average response time and number of appeals pending in 1982?

Answer: At the end of fiscal year 1982 there were 38,050 substantive appeals pending in the VA--12,115 were physically located at the BVA, and the rest were in process in field stations or awaiting callup by the Board. These are appeals that will require resolution by the Board of Veterans Appeals. Response time attributable to the Board was 276 days.

Question: What plans does the V\ have to curtail this increase in response time and number of appeals pending?

Answer: We are unable to control the number of appeals. Every claimant has a right to appeal an adverse determination of his or her claim. Thus, we must focus on actions that we can take to efficiently process appeals. Requirements of law and due process considerations demand that we carefully consider each appeal and the supporting evidence of record. By their very nature, these tasks are very labor intensive and require attorneys and physicians plus supporting personnel. We employ incentive awards (and adverse personnel actions) to motivate our staff to increase productivity; we continually seek methods of improved technology to increase output of individuals; and seek sufficient resources (personnel and dollars) to provide an organization capable of meeting the demands of the caseload. The FY 1984 budget contains a request to organize the Board of Veterans Appeals with 19 sections. We will continue to closely monitor reports from VA field stations and will update our workload forecasts as appropriate. In the next budget cycle we will present the appellate situation as it then appears.

Question: What response time goals have you established for the VA?

Answer: From our experience, we believe that an optimum response time for the BVA is 120 days. This provides reasonable time for thorough reviews by Service Officers and other representatives, research and decision preparation by BVA staff attorneys, review and approval by board members, and necessary administrative support. In addition to this time, our records show that VA field stations require about seven months to handle processing from the receipt of an NOD until the appeal is ready to certify to the BVA. Thus, we believe that a reasonable overall response time for the VA is 11 months.

DISPOSITION OF APPEALS

Question: What percentage of appeals are remanded, allowed and denied?

Answer: Our long-term experience--since adoption of the statement of the case in 1963--shows that the Board's allowance rate has averaged 12.9%; the remand rate has been 14.6% and the denial rate has been 71.7%. This compares quite closely with experience in FY 1982 when the figures were 13.0%, 15.2%, and 71.0%, respectively.

Question: Why are cases remanded and what can be done to reduce the number of cases remanded?

Answer: Exclusive of administrative-type actions (1.8% of appeals received), there are basically three types of remands:

- Medical examination. These include requests for examination or hospitalization by the Veterans Administration and include the majority of all remands. They usually represent a difference of medical opinion or judgment between the agency of original jurisdiction (AOJ) and the BVA. Once the field station has concluded that the appeal should be denied, there is no basis for ordering an examination.

- Development of evidence and investigations. These usually consist of requests for current financial or employment status reports, copies of private physicians' records, employment records, and social and industrial surveys.

- Procedural defects. These result from incomplete statements of the case, unanswered hearing requests, and problems with representations. This group comprises the smallest number of remands. (14.7%)

The primary purpose for the first two categories (85.3%) of remands is to assist the veteran in winning his or her case. Our records show that approximately 25% of the cases remanded are allowed in the field after the AOJ has completed the action requested by the Board. For this reason, we do not believe it would be desirable to discourage remands. Our experience with remands shows that there are few remands because the AOJ has not done its job.

FIELD OFFICE PROCESSING OF APPEALS

Question: BVA's ability to work effectively with an appeal is related to how well the claim is handled in the field office. What mechanism or process is in place that apprises field offices of problems in adjudicating claims and executing appeals?

Answer: Administrative personnel carefully review each case upon arrival at the Board for obvious omissions, errors in due process, and other developmental considerations. Each noted problem is recorded, by field station. Periodically we furnish this information to Regional Field Directors in the Department of Veterans Benefits for their reviews and actions. In addition, the chairman of each travel board receives information on the variances noted for each station to be visited. They convey the information and discuss it with directors and adjudication officers at the stations visited.

PERSONAL HEARINGS ON APPEAL

Question: Claimants have the right to a personal hearing before BVA either in the field or in Washington, D.C. What are your projections for personal hearings before BVA within the next five years?

Answer: We expect to conduct 560 to 600 personal hearings before travel boards each year plus about 1,200 personal hearings at Central Office. Thus, our five year projections would be 8,800 to 9,000 personal hearings.

Question: What are the success rates of claimants attending such hearings?

Answer: Our records for fiscal year 1982 show an allowance rate of 33.4% in cases where the claimant had a hearing before a travel board--and 18.4% in cases where there was a personal hearing at Central Office.

GENERAL ADMINISTRATION - GENERAL COUNSEL

Question: This year you are requesting an increase of $1,042,000 and 12 FTEE for your Office of General Counsel. Why is this increase required?

Answer: The FY 1984 increase of $1,042,000 is required as follows:

$601 thousand -	normal within-grade and benefit cost increases
85 thousand -	travel, rent, supply and equipment inflationary increases
300 thousand -	salary and benefits for 12 additional FTEE
56 thousand -	travel, supplies and equipment for 12 additional FTEE (32 thousand is non-recurring)

The increase of 12 FTEE is for the collection of debts owed the Agency. We currently have 137 FTEE dedicated to this effort. Of the $900 million in debts on our books, that we currently have authority to pursue, we have cleared over $60 million. In FY 1982 we disposed of one-half of the over 100 thousand cases referred from our Centralized Accounts Receivable Division (CARD) and collected in cash in excess of $2 for every $1 spent. In addition, we have negotiated 50 thousand repayment plans valued at $29 million and have obtained 24 thousand judgments valued at $16 million, adding $9 for every $1 spent.

We currently have a backlog of 145 thousand referred cases. CARD is now in the process of referring over 700 thousand cases on which collection action had been terminated. The Department of Justice is considering delegating to the VA authority to pursue cases in excess of $1200. This will add 13 percent to our caseload.

We believe the need for additional personnel to enforce debt collection on cases which are backlogged is adequately justified by our past performance and the large number and dollar value of cases which are approaching the Statute of Limitations.

Question: Your Office of General Counsel showed a decrease of four FTEE in FY 83 from the FY 82 level. Why is it now necessary to increase this office?

Answer: In 1982, the estimate at the beginning of the year was 674 FTEE, the same as 1983. During 1982, as we intensified our debt collection effort, our employment grew at a slightly higher rate than we had originally estimated. This fact was acknowledged in the Agency. Likewise, in 1983 we expect to achieve 680 FTEE, 2 above the 1982 actual. The Agency has the employment flexibility to emphasize important programs, and considers the debt collection effort a deserving one. As addressed in the preceding answer, the increase of 12 in 1984 is essential as the hundreds of thousands of reactivated cases and the authority to pursue cases above $1,200 add to an already heavy caseload.

In FY 83, we requested and received permission, within the Agency, to exceed our budgeted ceiling FTEE (672) by six for the purpose of debt collection.

WORKERS' COMPENSATION RECOVERIES

The Veterans' Health Care, Training and Small Business Loan Act of 1981 (Public Law 97-72) broadened VA's authority to obtain reimbursement from third parties for the costs of care provided to veterans injured on the job.

Question: Have regulations been issued to implement the provisions of the Act which relate to workers' compensation?

Answer: Implementing regulations were published in final form in the Federal Register on November 10, 1982. 47 Fed. Reg. 50861.

Question: What effect has the law had on VA recoveries?

Answer: Before passage of Public Law 97-72, VA relied upon various State laws to effect recoveries in the workers' compensation authority which VA had previously exercised. Accordingly, there has not been a dramatic effect upon such activities. It should be noted, however, that passage of the law has facilitated our recovery efforts and enabled us to expend our available resources in this area more efficiently.

In a June 4, 1982, report to Congressman Fazio, GAO reported that VA failed to recover the costs of most health care services provided to veterans covered by workers' compensation because: (1) Liens were not filed in many cases in which the facility should have been aware that a work-related injury had occurred; and (2) VA attorneys did not actively pursue recoveries after a lien had been filed.

Question: What actions have you taken to insure that potential work-related cases are referred to VA District Counsel for possible recovery action?

Answer: We recognize that the opportunity to properly identify and refer work-related cases to our District Counsel offices begins at our medical facilities. We accordingly, place great emphasis on the need for our legal personnel in the field to provide various modes of educational training to hospital clerical employees in order that they may fully appreciate their significant role and are properly instructed and trained to meet this administrative challenge. This training process is ongoing and is periodically updated to meet existing needs.

Question: Has there been an increase in the number of referrals since that time?

Answer: While we do not maintain referral statistics, the amount recovered increased from $5,031,382 in FY 1981 to $6,197,007 in FY 1982, an increase of 23.2%.

Question: What actions have you taken to insure that VA attorneys actively pursue recoveries after a lien has been filed?

Answer: Our legal representatives in the field are encouraged to actively join in workers' compensation proceedings, and their attendance at such forums is on the increase. Every effort is being made, in keeping with office and staff limitations, for greater participation in such proceedings to protect the Government's interest.

Question: What was the value of workers' compensation claims filed during FY 1982?

Answer: We do not maintain statistics on the number or value of claims filed, but, as noted above, $6,197,007 was recovered in FY 1982.

Question: How much was recovered?

Answer: $6,197,007 was recovered. It should be noted that a number of claims filed during FY 1982 were not collected during that year, and will be reflected in the statistics for FY 1983, which are not yet available.

GENERAL OPERATING EXPENSES

Question: This year you are requesting an increase of $19,020,000 for General Administration in the General Operating Expenses Account. Why do you require this 10.7% increase?

Answer: The increase of $19,020,000 in the General Administration activity is a net of various increases and decreases. The significant new initiatives are:

- Board of Veterans Appeals - requests $1.5 million and 52 FTEE to fully staff 19 Board Sections in 1984. Because decisions of the Board directly affect veterans' lives, it is imperative that appeals be thoroughly considered and responses be timely. The increased resources would enable the BVA to reduce response time to veterans while safeguarding the quality of decisions.

- Office of Budget and Finance - requests $1.4 million and 66 FTEE in 1984 to complete the conversion of all Department of Medicine and Surgery facilities to the full CALM

(Centralized Accounting for Local Management) system. Projected savings in DM&S are $2.5 and 149 FTEE.

- Office of Data Management and Telecommunications - requests $2.3 million to purchase replacement equipment at the Austin data Processing Center for the Beneficiary Identification and Records Locator System and the Loan Guaranty System.
- Approximately $11 million is required for uncontrollable space rental (Standard Level User Charge) and communications costs. The increase is substantial since 1983 SLUC charges were held at the 1982 rate.

Question: Please describe the basis for computing your space rental and communications costs for FY 83.

Answer: Generally, increases in rents, communications and utility costs in FY 83 are based upon the 1982 actuals plus the Administration's prescribed inflation rate. There are exceptions in the cost estimates provided in advance by General Services Administration (GSA). The Federal Telecommunications System (FTS) and Standard Level User Charges (SLUC) are the primary costs in which GSA provides the estimates. SLUC charges in FY 83 were held to the FY 82 rate, as prescribed by PL 97-377.

STANDARD LEVEL USER CHARGES

Your FY 83 budget estimate contained $113,787,000 for rents, communications and utility charges. This represented a 21.5% increase over the FY 82 level. One reason for the FY 83 increase was GSA's proposed increase lease charge for space. As you know, Section 108 of the Continuing Resolution (P.L. 97-377) provided that no agency shall pay GSA a higher rate per square foot than the FY 82 rate.

Question: In calculating your FY 83 request for these user charges, how much was included for the expected GSA increase?

Answer: The 1983 budget contained an increase of $15.6 million for Standard Level User Charges (SLUC) over the 1982 figure due to the increased rate.

Question: Are these funds, which are now in excess of your actual requirements, being used for other purposes -- or will they be used to offset your requirements for an FY 83 pay supplemental?

Answer: The SLUC savings have been applied to the more than $29 million of unbudgeted cost increases due to the October, 1982 pay raise, required Medicare contributions, increased health benefit costs, the increase in the executive pay cap, as well as communications, postage, and unemployment compensation increases.

Question: Describe what you are doing during FY 83 and FY 84 to reduce the information burden placed on the American public.

Answer: By the close of FY 1983 the Veterans Administration expects to reduce its reporting burden on the public by 25 percent from its FY 1980 base of 6.4 million hours. Public Law 97-35, which prohibited new enrollments in flight training courses after September 30, 1981, yielded a 60,000 hour reporting burden decrease. A decrease of 86,000 reporting burden hours in veteran's applications for educational benefits resulted from Public Law 94-502 which terminated eligibility for new enlistees training under 38 U.S.C. Chapter 34. In the home loan guaranty program, substantial reductions have been made through consolidation and simplification of VA home loan forms and in the reduction of required completion time. At the same time, however, the expanded vocational rehabilitation program, enacted October 17, 1980, greatly increased the scope of services which the VA must provide disabled veterans. Consequently, the need for associated information collections to provide the detailed professional counseling and training records necessary for effective program management also greatly increased.

A continuous paperwork reduction review was underway in VA prior to the enactment of Public Law 96-511, Paperwork Reduction Act of 1980. VA has, and continues to look at each data element in each of its forms to determine potential elimination of unnecessary or duplicative elements. Each time a VA form must obtain OMB clearance, we conduct a thorough review of the form in an attempt to make even further reductions in data elements. Applications for benefits and related documents represent about 75 percent of VA's Information Collection Budget. VA plans additional consolidations in these legally-mandated, onetime application forms which should result in additional reporting burden hour decreases.

VA has recently established a quarterly reporting requirement for all organizational elements as a part of the continuous effort to maintain constant review and control of our reporting burden on the public.

Average Employment

Question: Your proposed employment ceiling for FY 84 is 219,006, or 1,893 over the FY 83 level. There is also corresponding increases of 21 non-ceiling positions. Please provide a distribution of this position for the record.

Answer: The following table describes the distribution of these increases. The average employment columns includes 217,113 ceiling positions and 1,758 non-ceiling positions in 1983 and 219,006 ceiling positions and 1,779 non-ceiling positions in 1984.

VETERANS ADMINISTRATION
AVERAGE EMPLOYMENT
FY 1984

	1983 Average Employment	CHANGES		1984 Average Employment
		Ceiling	Non Ceiling	
Medical Care	188,238	+2,306	...	190,544
Medical and Prosthetic Research	4,385	-170	...	4,215
Medical Administration and Miscellaneous Operating Expenses	875	-19	...	856
Canteen	3,484	...	...	3,484
Department Of Medicine and Surgery	196,982	+2,117	...	199,099
Supply	614	+29	...	643
Construction	777	+13	+18	808
General Operating Expenses:				
Department of Veterans Benefits	14,823	-419	...	14,404
Department of Memorial Affairs	1,164	+22	...	1,186
General Administration	4,511	+131	+3	4,645
Office of Administrator	36	...	...	36
Inspector General	360	+14	...	374
Board of Contract Appeals	10	...	...	10
Board of Veterans Appeals	356	+52	...	408
General Counsel	674	+12	...	686
ADA/Congressional & Public Affairs	7	...	...	7
Congressional Affairs	19	+1	...	20
Public and Consumer Affairs .	49	+7	...	56
ADA/Planning and Finance	4	...	...	4
Program Planning and Evaluation	60	...	...	60
Budget and Finance	534	+71	...	605
ADA/Information Resource Management..................	9	...	...	9
Reports and Statistics	106	+4	+2	112
Information and Regulation ..	28	-2	...	26
Data Management & Telecommunications..........	1,833	-29	+1	1,805
ADA/Logistics	4	...	...	4
ADA/Administration	3	...	...	3
Office of Administration	177	...	...	177
Personnel & Labor Relations .	212	-4	...	208
Equal Opportunity Staff	30	+5	...	35
General Operating Expenses	20,498	-266	+3	20,235
Veterans Administration, Total	218,871	+1,893	+21	220,785

Senator Garn—Continued

VA UNOBLIGATED BALANCES IN ACCOUNTS AND FUNDS

Questions: Please provide for the record a list of accounts and funds under the jurisdiction of the Veterans Administration. For each of these accounts and funds, please provide the most current data as to the unobligated balances:

Answer: The information follows:

SUMMARY OF UNOBLIGATED BALANCES FOR THE END OF FISCAL YEAR 1982

(In thousands of dollars)

	Carried forward	Lapsed
Compensation	$304,986	...
Pensions	159,266	...
Readjustment Benefits	6,721	...
Veterans Insurance & Indemnities	390	...
Medical Care	...	$3,475
Medical & Prosthetic Research	5,341	4,246*
MAMOE	5,977	6,296*
General Operating Expenses	...	3,845
Construction, Major	833,519	...
Construction, Minor	129,002	...
Grants for Construction of State Extended Care Facilities	11,233	...
Grants to the Republic of the Philippines	500	500*
Grants for the Construction of State Veterans Cemeteries	4,452	...
Assistance for Health Manpower Training Institutions	8,291	12
Construction & Operation of Garage and Parking Facilities	176	...
Loan Guaranty Revolving Fund	74,764	...
Direct Loan Revolving Fund	367,886	...
Canteen Service Revolving Fund	2,362	...
Service-Disabled Veterans Insurance Fund	3,552	...
Veterans Reopened Insurance Fund	489,924	...
Education Loan Fund	3,266	...
Vocational Rehabilitation Revolving Fund	1,333	...
Servicemen's Group Life Insurance Fund	40,098	...
Special Therapeutic & Rehabilitation Activities Fund	893	...
Supply Fund	43,962	...
Post Vietnam Era Veterans Education account	300,313	...
General Post Fund	13,282	...
National Service Life Insurance Fund	7,990,157	...
U.S. Government Life Insurance Fund	331,867	...
Veterans Special Life Insurance Fund	731,034	...
Total Veterans Administration	$11,864,547	$18,374

* Includes amounts which were reappropriated. The reappropriation was necessary to make available funds which were transferred from the Medical Care annual appropriation.

Senator Garn—Continued

Absorption of FY 83 Pay Costs

Question: On page 22-6 of your Budget justification, you present a breakdown of the $89,375,151 of pay costs that the VA has absorbed. For each year, five program areas listed on that page, please prepare a description of the specific activities and programs that were reduced in order to accommodate this absorption.

Answer: The VA will absorb pay cost increases for 1983 as follows:

Medical Care

- Reduce field funding availablity based upon revised economic assumptions.
- Delays and deferrals both in the acquisition of equipment and scheduled maintenance and repair projects.
- Reduce amount for A-76 studies from $2,000,000 to $500,000.
- Continue efforts to treat more dental cases in-house, thereby reducing fee dental costs.

Medical and Prosthetic Research

- Reduce the amounts available for other services, and use these amounts for the increase in pay related obligations.

Medical Administration & Miscellaneous Operating Expenses

- Reduce contractual services.

Office of Construction

- Reprogram approximately $1 million from the Minor Working Reserve balance to General Administration.
- Reduce travel costs by making greater use of contract air fares.
- Defer, until FY 1984, a consultant study and archeological survey of VA Medical Centers.

General Operating Expenses (GOE)

- Over half of the $23,943,000 required absorption by GOE in 1983 for increased pay costs will be met with the savings generated by the holding of space rental costs at the 1982 rate (Standard Level User Charges paid to GSA).
- The rest of the absorption will be achieved by a combination of actions, including: some delayed filling of vacant positions and promoting; hiring at lower grades than budgeted; reducing planned levels of employee travel, printing and reproduction, and supply purchases; and temporarily slowing down maintenance and equipment replacement cycles. No significant impact on the program objectives of GOE are foreseen in meeting the 1983 absorption requirement.

QUESTIONS SUBMITTED BY SENATOR DOMENICI

MEDICAL AND PROSTHETIC RESEARCH

Question: Although the overall request for VA construction and medical programs is increased by 11 percent, the medical and prosthetic research account reflects only a 1 percent increase over FY 1983. Do you believe this level of funding adequately supported VA medical research activities?

Answer: The FY 1983 level for medical and prosthetic research was $152.7 million. If the 1982 pay supplemental for this account is enacted, the President's requested increase will be $1.5 million, for a total program of $156.3 million. The Senate Veterans Affairs Committee has recommended $162.1 million, or $5.8 million more than the President.

A level of Research and Development support of $156.3 million provides resources for a constrained but adequate Medical and Prosthetic Research Program. The FY 1984 FTEE level of 4,215 and $156.3 million translates to a reduction of 100 lower priority programs.

DELAY OF COST OF LIVING INCREASES

Question: The Administration has requested delays in cost-of-living increases for federal benefit programs, including veterans compensation and pension benefits.

Under Current law, most of these programs are adjusted on different dates throughout the year. Some experts have suggested that all cost-of-living adjustments occur at the same time, thereby providing the same increase for all beneficiaries.

Do you think that moving all cost-of-living adjustments to January 1 would be a reasonable approach?

Answer: Section 3112, title 38, United States Code provides that the maximum annual rates of nonservice-connected pension will be increased by the same percentages and on the same dates as increases in social security benefits. Therefore, if the effective date of the social security cost-of-living adjustment is changed, the effective date of the pension adjustment would automatically change. The effective dates of increases in service-connected compensation benefits are determined by specific legislation authorizing each rate increase. In recent years Congress has enacted legislation providing for a compensation rate increase effective October 1. The Veterans Administration will make increased payments from whatever effective date is mandated in future compensation increase legislation.

REVISION TO COST OF LIVING ADJUSTMENT FOR COMPENSATION CASES

Question: The President's budget message indicates that he may propose legislation to establish a sliding scale of compensation cost-of-living increases, based on degree of disability, beginning in FY 1985.

Will the Administration be submitting legislation for this proposal this year?

Answer: Careful consideration is being given to all the factors involved in the suggestion that compensation cost-of-living increases be determined on a sliding scale. No decision has yet been reached.

Question: What is the rationale for this proposal?

Answer: The sliding scale of compensation cost-of-living increases was proposed in response to a request for budget reductions. We noted that in 1981 Congress, at its own initiative, provided varied percentage increases for the compensation program. We must reiterate that this proposal is under consideration and no decision has yet been reached.

Job Retraining Initiative

Question: What is the Administration's position on such an initiative (job retraining)?

Answer: In view of the major jobs bill currently being considered by the Congress, the Administration would not oppose such an initiative; but we must recognize the responsibilities this would place on both the Department of Labor and the Veterans Administration - the DOL for identification of job classifications in which labor shortages exist and probability of employment is high and the VA for placement in training centers which could within a year or two develop the skills needed for reemployment. Without the provision of sufficient resources to both agencies to implement such an initiative, there would be little chance of meaningful success in redirecting a segment of the unemployed work force.

Question: Does the Administration anticipate a request for a GI Bill rate increase in the FY 1985 Budget?

Answer: The Administration does not anticipate a request for a GI Bill rate increase for the FY 1985 budget. In our comments on S.9, which would authorize a 15 percent across-the-board increase in the subsistence and educational assistance rates payable under our vocational rehabilitation, and education, programs, we stated our opposition to any increase at this time. We cited the Administration's efforts to reduce expenditures by placing a temporary freeze on many Federal benefit payments. In addition, there are certain supplemental sources of added income available to many veterans.

QUESTIONS SUBMITTED BY SENATOR HUDDLESTON

"JOBS BILL"

Question: How are your maintenance and repair priorities determined:

Answer: Maintenance and repair priorities are determined primarily at the medical center and medical district levels and are based on a variety of input factors. Among them are items such as periodic visual inspections of the lands, structures, equipment and utility systems; programmed M&R based on maintenance records and manufacturer's recommendations; and the review and assessment of the history of the unit's maintenance and repair problems.

Question: Is there a backlog here? If so, how large is it?

Answer: Yes, there is a backlog of maintenance and repair projects. The size of the backlog approximates $175 million and some 2100 projects.

Question: H.R. 1718, the jobs bill, currently being considered includes $75 million for maintenance and repair of veterans facilities. Please provide a facility-by-facility breakdown of the projects and cost of each to be funded with this appropriation. Also, please indicate which projects were accelerated and which were new or otherwise included.

Answer: The process for the selection of the majority of FY 84 maintenance and repair projects based on their priority of need has just recently been initiated. It is expected that this selection process will be concluded by April 15, 1983. Upon completion we will forward this information to you by letter with a copy to the subcommittee. The ability of the medical center to accelerate the project's design for the obligation of funds in FY 1983 is dependent on various factors that impact each project to a different degree. Most of the projects selected will be designed by an architectural/engineering (A/E) firm. The process for selection and contract award alone requires a minimum of three (3) months to accomplish. Following the A/E contract award, the design of even the lesser complex projects will still require a minimum of two-three months to accomplish. After completion of design, many of the projects are required by Federal Procurement Regulations to undergo audit and/or legal review.

Question: Assuming the expenditure of the $75 million from the jobs bill, what will your maintenance and repair program for fiscal 1984 be?

Answer: The Fiscal Year 1984 maintenance and repair (M&R) program would consist of those projects which could not be accelerated plus additional project selections from our M&R backlog.

Question: How will the items to be funded be determined?

Answer: The additional projects to be funded would be selected by following our current procedure. Veterans Administration Central Office and the Medical Districts each select a portion of the projects which have been previously submitted by medical centers. The medical districts select on the basis of medical district priorities and central office selections are based on national program requirements.

AGENT ORANGE

Question: The handling of the Agent Orange cases has been a matter of continuing concern. Please give us a status report on the current screening and treatment activities.

Answer: The VA continues to examine Vietnam veterans who are concerned about the adverse health effects from possible exposure to Agent Orange. Since the beginning of the registry in 1978 through January 31, 1983, a total of 106,149 veterans have been examined for the Agent Orange Registry. For the same time period, 24,544 follow-up examinations have been provided.

Any Vietnam veteran who is concerned about the possible exposure to Agent Orange can request an examination for the Agent Orange Registry at the nearest VA facility. The examination consists of a complete physical including several laboratory tests and x-ray studies. Further laboratory tests or x-ray studies may be requested depending on the veteran's medical condition. The results of these examinations are included in the veteran's permanent medical record for possible use in supporting any future claims.

The veteran receives a complete medical examination, not the abbreviated procedure usually called "screening." The examination does not determine whether the veteran was exposed to Agent Orange since there is no known practicable test to do so.

Eligible Vietnam veterans, in addition to those reporting for examinations within the Agent Orange Registry program, are being provided care and treatment at all VA health care facilities as authorized by the provisions of Public Law 97-72.

MEDICAL SCHOOLS/VA FACILITIES

Question: How many medical schools are now affiliated or associated with a VA medical facility? List the facilities and the associated schools.

Answer: 100. The list of VA facilities and the affiliated medical schools is attached.

AFFILIATIONS BETWEEN VA HEALTH CARE FACILITIES
AND SCHOOLS OF MEDICINE

I. NUMBERS OF VA MEDICAL CENTERS AFFILIATED WITH MEDICAL SCHOOLS UNDER THE PROVISIONS OF AN APPENDIX 2A AGREEMENT

VA Medical Centers	Affiliated	Not Affiliated	Total
No Satellite OPC	99	32	131
One Satellite OPC	30	6	36
Two Satellite OPCs	4	0	4
Three Satellite OPCs	1	0	1
TOTALS FOR VAMCs	134*	38**	172

* VA Medical Centers affiliated with medical schools are listed on Pages 2-10.
** VA Medical Centers not affiliated with Medical Schools are listed on Page 22.

II. NUMBERS OF VA OUPTATIENT CLINICS AFFILIATED WITH MEDICAL SCHOOLS UNDER THE PROVISIONS OF AN APPENDIX 2A AGREEMENT

Outpatient Clinics	Affiliated	Not Affiliated	Total
Satellites of VAMCs	37*	6	43
Satellite of an OPC	1**	0	1
Independent OPCs	4	2	6
Regional Office OPCs	1	2	3
TOTALS FOR OPCs	43	10***	53

* Satellites of VA Medical Centers affiliated with medical schools are included on Pages 2-10.
** Independent OPCs, Satellite of Independent OPC and Regional Office OPCs affiliated with medical schools are listed on Page 11.
*** Satellite OPCs, Independent OPCs and Regional Office OPCs not affiliated with medical schools are listed on Page 22.

III. NUMBERS OF MEDICAL SCHOOLS AFFILIATED WITH VA HEALTH CARE FACILITIES UNDER THE PROVISIONS OF AN APPENDIX 2A AGREEMENT

Medical School	Number of VA Facilities		
Type of Medicine	Affiliated	Not Affiliated	Total
Allopathic	100*	27**	127
Osteopathic	0	15***	15
TOTAL	100	42	142

* Schools of Medicine affiliated with VA facilities are listed on pages 13-21.
** Schools of Allopathic Medicine not affiliated with VA facilities are listed on Pages 23-24.
*** Schools of Osteopathic Medicine not affiliated with VA facilities are listed on Page 25.

IV. VA MEDICAL CENTERS AFFILIATED WITH MEDICAL SCHOOLS UNDER THE PROVISIONS OF AN APPENDIX 2A AGREEMENT SHOWING YEAR OF INITIAL AFFILIATION, DATE OF CURRENT AGREEMENT AND MILES FROM AFFILIATE*

VA MEDICAL CENTER	INITIAL YEAR	CURRENT AGREEMENT	AFFILIATED MEDICAL SCHOOL	MILES FROM AFFIL.
1. Albany, NY	1951	5/22/81	Albany Medical College of Union University, Albany, NY	1
2. Albuquerque, NM	1948	3/14/74	The University of New Mexico School of Medicine, Albuquerque, NM	4
3. Alexandria, LA	1968	11/20/80	Tulane University School of Medicine, New Orleans, LA	190
4. Allen Park, MI	1948	12/10/74	Wayne State University School of Medicine, Detroit, MI	15
5. Amarillo, TX	1972	9/8/72	Texas Tech University School of Medicine, Lubbock, TX	120
6. Ann Arbor, MI (Toledo, OPC)	1948	7/26/74	University of Michigan Medical School, Ann Arbor, MI	1
7. Asheville, NC	1948	5/21/75	Duke University School of Medicine, Durham, NC	231
8. Atlanta, GA	1948	5/17/74	Emory University School of Medicine, Atlanta, GA	2
Augusta, GA	1948	9/17/80	Medical College of Georgia School of Medicine, Augusta, GA	
9. Downtown Division formerly Forest Hills				3
10. Uptown Division formerly Lenwood				7
11. Baltimore, MD (Baltimore, OPC)	1956	6/27/74	University of Maryland School of Medicine, Baltimore, MD	5
		6/27/74	The Johns Hopkins University School of Medicine, Baltimore, MD	
12. Batavia, NY (Rochester OPC)	1948	12/23/75	The University of Rochester School of Medicine & Dentistry, Rochester, NY	30
13. Bath, NY	1948	12/23/75	The University of Rochester, School of Medicine & Dentistry, Rochester, NY	70
14. Bedford, MA	1948	4/21/76	Boston University School of Medicine, Boston, MA	21
15. Big Spring, TX	1972	1/8/80	Texas Tech University School of Medicine, Lubbock, TX	106
Biloxi, MS	1948			
16. Biloxi Division		6/27/76	Louisiana State University School of Medicine in New Orleans, LA	84
17. Gulfport Division		6/27/76	Tulane University School of Medicine, New Orleans, LA	72

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* Affiliated VA Health Care Facilities are defined as those with Deans Committees affiliated under the provisions of an Appendix 2A agreement.

VA MEDICAL CENTER	INITIAL YEAR	CURRENT AGREEMENT	AFFILIATED MEDICAL SCHOOL	MILES FROM AFFIL.
18. Birmingham, AL	1951	6/16/75	University of Alabama School of Medicine, Birmingham, AL	*
19. Boise, ID	1976	10/28/76	University of Washington School of Medicine, Seattle, WA	501
20. Boston, MA (Lowell OPC)	1952	5/13/75 5/13/75	Boston University School of Medicine, Boston, MA Tufts University School of Medicine, Boston, MA	2
21. Brockton, MA	1952	1/2/75	Harvard Medical School, Boston, MA	25
22. Bronx, NY	1948	3/19/75	Mount Sinai School of Medicine of the City University of New York, New York City, NY	7
Brooklyn, NY 23. Brooklyn Division 24. St. Albans Division (Brooklyn OPC)	1950	8/2/79	State University of New York, Downstate Medical Center College of Medicine, Brooklyn, NY	7
25. Buffalo, NY	1950	6/22/77	State University of New York at Buffalo School of Medicine, Buffalo, NY	1
26. Canandaigua, NY	1948	12/29/75	University of Rochester School of Medicine & Dentistry, Rochester, NY	30
27. Charleston, SC	1965	7/1/80	Medical University of South Carolina College of Medicine, Charleston, SC	2
28. Chicago, IL Lakeside	1953	3/31/78	Northwestern University Medical School Chicago, IL	*
29. Chicago, IL Westside	1953	6/27/74	University of Illinois College of Medicine, Chicago, IL	*
30. Cincinnati, OH	1954	5/13/75	University of Cincinnati College of Medicine, Cincinnati, OH	*
31. Clarksburg, WV	1961	6/28/79	West Virginia University School of Medicine, Morgantown, WV	50
Cleveland, OH 32. Wade Park Division 33. Brecksville Division (Canton OPC)	1948	1/26/73	Case Western Reserve University School of Medicine, Cleveland, OH	2
34. Coatesville, PA	1948	11/21/78	Jefferson Medical College of Thomas Jefferson University, Philadelphia, PA	50
35. Columbia, MO	1971	10/19/77	University of Missouri-Columbia School of Medicine, Columbia, MO	*
36. Columbia, SC (Greenville OPC)	1975	5/14/75	University of South Carolina School of Medicine, Charleston, SC	*
37. Dallas, TX	1948	1/21/74	University of Texas Southwestern Medical School at Dallas, TX	15
38. Danville, IL (Peoria OPC)	1974	11/27/74	University of Illinois College of Medicine-Schools of Basic Medical Sciences and Clinical Medicine at Urbana-Champaign, Urbana, IL	40
39. Dayton, OH	1975	3/28/75	Wright State University School of Medicine, Dayton, OH	12
40. Denver, CO	1948	1/8/80	University of Colorado School of Medicine, Denver, CO	*
41. Des Moines, IO	1948	8/29/73	The University of Iowa College of Medicine, Iowa City, IA	115

VA MEDICAL CENTERS	INITIAL YEAR	CURRENT AGREEMENT	AFFILIATED MEDICAL SCHOOLS	MILES FROM AFFIL.
42. Durham, NC	1953	11/16/73	Duke University School of Medicine, Durham, NC	*
43. East Orange, NJ (Newark OPC)	1966	4/2/75	College of Medicine & Dentistry of New Jersey, New Jersey Medical School, Newark, NJ	10
44. Fargo, ND	1974	9/12/74	University of North Dakota School of Medicine, Grand Forks, ND	75
45. Fayetteville, NC	1976	1/2/76	University of North Carolina School of Medicine, Chapel Hill, NC	70
46. Fort Howard, MD	1948	9/10/76	University of Maryland School of Medicine, Baltimore, MD	16
		9/10/76	The Johns Hopkins University School of Medicine, Baltimore, MD	
47. Fort Meade, SD	1976	1/16/76	University of South Dakota School of Medicine, Vermillion, SD	421
48. Fresno, CA	1975	11/26/75	University of California, San Francisco, School of Medicine, San Francisco, CA	192
49. Gainesville, FL (Jacksonville OPC)	1966	2/5/74	University of Florida College of Medicine, Gainesville, FL	*
50. Hampton, VA	1973	8/17/77	Eastern Virginia Medical School Norfolk, VA	17
51. Hines, IL	1948	9/25/79	University of Illinois College of Medicine, Chicago, IL	8
		9/25/79	University of Health Sciences/The Chicago Medical School, Chicago, IL	40
		9/25/79	Loyola University of Chicago Stritch School of Medicine, Maywood, IL	
52. Hot Springs, SD	1977	1/19/77	University of South Dakota School of Medicine, Vermillion, SD	471
53. Houston, TX (Beaumount OPC)	1950	12/28/76	Baylor College of Medicine, Houston, TX	1
54. Huntington, WV	1975	6/27/75	Marshall University School of Medicine Huntington, WV	*
Indianapolis, IN	1948	1/28/82	Indiana University School of Medicine Indianapolis, IN	*
55. Cold Spring Road Div.				
56. West Tenth Street Div.				
57. Iowa City, IA	1952	8/29/73	The University of Iowa College of Medicine, Iowa City, IA	*
58. Jackson, MS	1955	8/16/79	University of Mississippi School of Medicine, Jackson, MS	*
59. Kansas City, MO	1952	9/22/75	University of Kansas College of Health Sciences and Hospital School of Medicine, Kansas City, KS	6
60. Leavenworth, KS	1948	4/21/76	University of Kansas College of Health Sciences and Hospital School of Medicine, Kansas City, KS	32
Lexington, KY	1948	5/9/77	University of Kentucky College of Medicine, Lexington, KY	*
61. Leestown Division				
62. Cooper Drive Division				
63. Lincoln, NE	1959	6/16/75	Creighton University School of Medicine, Omaha, NE	50
		6/16/75	University of Nebraska College of Medicine, Omaha, NE	

VA MEDICAL CENTER	INITIAL YEAR	CURRENT AGREEMENT	AFFILIATED MEDICAL SCHOOLS	MILES FROM AFFIL.
Little Rock, AR	1948	6/22/77	University of Arkansas College of Medicine, Little Rock, AR	5
64. Little Rock Division				
65. North Little Rock Div.				
66. Loma Linda, CA	1977	1/27/77	Loma Linda University School of Medicine, Loma Linda, CA	1
67. Long Beach, CA	1966	12/5/74	University of California, Irvine, California College of Medicine, Irvine, CA	22
Los Angeles, CA	1948	4/9/80	University of California, Los Angeles, School of Medicine, Los Angeles, CA	2
68. Brentwood Div.				
69. Wadsworth Div. (Santa Barbara)	1948	11/5/75	University of California, Los Angeles, School of Medicine, Los Angeles, CA	1
70. Louisville, KY	1948	9/2/75	University of Louisville School of Medicine, Louisville, KY	4
71. Lyons, NJ	1948	4/11/80	College of Medicine & Dentistry of New Jersey, Rutgers Medical School, Piscataway, NJ	20
72. Madison, WI	1951	9/13/73	University of Wisconsin Medical School, Madison, WI	1
73. Manchester, NH	1964	11/16/73	Harvard Medical School, Boston, MA	60
74. Marion, IL (Evansville OPC)	1972	2/5/74	Southern Illinois University School of Medicine, Springfield, IL	171
75. Marlin, TX	1975	6/5/75	Texas A&M University College of Medicine, College Station, TX	62
76. Martinez, CA (Oakland OPC) (Sacramento OPC)	1972	8/1/75	University of California, Davis, School of Medicine, Davis, CA	70
77. Martinsburg, WV	1949	1/24/80	George Washington University School of Medicine and Health Sciences, Washington, D.C.	75
		9/24/80	Georgetown University School of Medicine, Washington, D.C.	
		1/24/80	Howard University College of Medicine, Washington, D.C.	
78. Memphis, TN	1961	1/12/82	University of Tennessee College of Medicine, Memphis, TN	*
79. Miami, FL (Riviera Beach OPC)	1954	7/2/81	University of Miami School of Medicine, Miami, FL	*
80. Minneapolis, MN (St. Paul OPC)	1948	6/22/77	University of Minnesota Medical School, Minneapolis, MN	7
81. Montrose, NY	1970	8/30/74	New York Medical College, Valhalla, NY	25
82. Mountain Home, TN	1975	9/30/75	East Tennessee State University, Quillen-Dishner School of Medicine, Johnson City, TN	*
83. Murfreesboro, TN	1961	3/11/75	Meharry Medical College School of Medicine, Nashville, TN	40
84. Muskogee, OK (Tulsa OPC)	1977	4/5/77	University of Oklahoma College of Medicine, Oklahoma City, OK	135
85. Nashville, TN (Chattanooga OPC) (Knoxville, OPC)	1948	5/29/75	Vanderbilt University School of Medicine, Nashville, TN	*
86. Newington, CT	1975	7/14/75	University of Connecticut School of Medicine, Farmington, CT	10

VA MEDICAL CENTER	INITIAL YEAR	CURRENT AGREEMENT	AFFILIATED MEDICAL SCHOOLS	MILES FROM AFFIL.
87. New Orleans, LA (Baton Rouge, OPC)	1948	2/1/74	Tulane University School of Medicine, New Orleans, LA	*
		11/12/73	Louisiana State University School of Medicine in New Orleans, LA	
88. New York, NY (New York OPC)	1954	10/4/79	New York University School of Medicine, New York City, NY	*
89. North Chicago, IL	1965	8/9/74	University of Health Sciences/The Chicago Medical School, North Chicago, IL	*
90. Northport, NY	1976	8/3/79	State University of New York at Stony Brook, Health Sciences Center School of Medicine, Stony Brook, NY	20
91. Oklahoma City, OK	1948	4/5/77	University of Oklahoma College of Medicine, Oklahoma City, OK	*
92. Omaha, NE	1951	12/29/75	Creighton University School of Medicine, Omaha, NE	7
		4/18/76	University of Nebraska College of Medicine, Omaha, NE	1
Palo Alto, CA 93. Menlo Park Div. 94. Palo Alto Div.	1948	8/22/73	Stanford University School of Medicine, Palo Alto, CA	2
95. Perry Point, MD	1948	9/10/76	University of Maryland School of Medicine, Baltimore, MD	39
		9/10/76	The Johns Hopkins University School of Medicine, Baltimore, MD	
96. Philadelphia, PA (Philadelphia, OPC)	1953	5/29/74	The University of Pennsylvania School of Medicine Philadelphia, PA	*
		3/14/74	The Medical College of Pennsylvania Philadelphia, PA	7
97. Phoenix, AZ	1977	7/7/77	University of Arizona College of Medicine, Tucson, AZ	120
Pittsburgh, PA (UD) 98. Aspinwall Division 99. Pittsburgh Division	1966	5/31/76	University of Pittsburgh School of Medicine, Pittsburgh, PA	2
100. Pittsburgh, PA (HD) (Pittsburgh OPC)	1976	7/8/76	University of Pittsburgh School of Medicine, Pittsburgh, PA	5
Portland, OR 101. Portland Division 102. Vancouver Division (Portland OPC)	1948	4/2/75	University of Oregon Health Sciences Center School of Medicine, Portland, OR	*
103. Providence, RI (New Bedford, MA OPC)	1973	9/30/80	Brown University Program in Medicine Providence, RI	4
104. Reno, NV	1970	12/29/75	University of Nevada, Reno, School of Medicine, Reno, VA	3
105. Richmond, VA	1948	2/21/75	Virginia Commonwealth University Medical College of Virginia School of Medicine, Richmond, VA	5
106. Salem, VA	1948	7/1/74	University of Virginia School of of Medicine, Charlottesville, VA	120
St. Louis, MO 107. Jefferson Barracks Div. 108. John Cochran Div.	1948	11/21/77	Washington University School of Medicine, St. Louis, MO	2
		11/21/77	Saint Louis University School of Medicine, St. Louis, MO	1
109. Salt Lake City, UT	1948	8/12/75	University of Utah College of Medicine, Salt Lake City, UT	1

VA MEDICAL CENTER	INITIAL YEAR	CURRENT AGREEMENT	AFFILIATED MEDICAL SCHOOLS	MILES FROM AFFIL.
110. San Antonio, TX (San Antonio OPC) (Corpus Christi OPC) (McAllen OPC)	1973	7/18/73	University of Texas Medical School at San Antonio, TX	*
111. San Diego, CA (San Diego OPC)	1970	1/5/79	University of California, San Diego, School of Medicine, San Diego, CA	*
112. San Francisco, CA	1948	4/11/74	University of California, San Francisco, School of Medicine San Francisco, CA	3
113. San Juan, PR (Ponce OPC) (Mayaguez OPC)	1951	4/25/77	University of Puerto Rico School of Medicine, San Juan, PR	1
114. Seattle, WA	1957	7/19/76	University of Washington School of Medicine, Seattle, WA	12
115. Sepulveda, CA	1968	9/15/71	University of California, Los Angeles, School of Medicine, Los Angeles, CA	15
116. Shreveport, LA	1969	12/29/75	Louisiana State University School of Medicine in Shreveport, LA	4
117. Sioux Falls, SD	1974	3/19/74	University of South Dakota School of Medicine, Vermillion, SD	*
118. Syracuse, NY	1953	4/11/74	State University of New York, Upstate Medical Center College of Medicine, Syracuse, NY	*
119. Tacoma, WA (American Lake)	1981	12/2/81	University of Washington School of Medicine, Seattle, WA	58
120. Tampa, FL (Ft. Myer OPC) (Orlando OPC)	1971	3/5/74	University of South Florida College of Medicine, Tampa, TL	*
121. Temple, TX	1975	6/5/75	Texas A&M University, College of Medicine, College Station, TX	90
122. Topeka, KS	1976	8/23/76	University of Kansas College of Health Sciences and Hospital School of Medicine, Kansas City, KS	75
123. Tucson, AZ	1967	8/2/79	University of Arizona College of Medicine, Tucson, AZ	7
124. Tuscaloosa, AL	1975	8/2/79	University of Alabama School of Medicine, Birmingham, AL	54
125. Tuskegee, AL	1951	10/5/78	University of Alabama School of Medicine, Birmingham, AL	120
126. Waco, TX (Waco OPC)	1948	6/5/75	Texas A&M University College of Medicine, College Station, TX	90
127. Washington, D.C.	1948	3/10/80	George Washington University School of Medicine and Health Sciences, Washington, D.C.	5
		3/10/80	Georgetown University School of Medicine, Washington, D.C.	5
		3/10/80	Howard University College of Medicine, Washington, D.C.	2
128. West Haven, CT	1953	10/26/73	Yale University School of Medicine New Haven, CT	3
129. West Roxbury, MA (Worcester OPC)	1948	10/28/73	Harvard Medical School, Boston, MA	7
130. White River Jct., VT	1948	6/3/75	Dartmouth Medical School, Hanover, NH	7

VA MEDICAL CENTER	INITIAL YEAR	CURRENT AGREEMENT	AFFILIATED MEDICAL SCHOOLS	MILES FROM AFFIL.
131. Wichita, KS	1974	3/4/74	University of Kansas College of Health Sciences and Hospital School of Medicine, Wichita Campus, Wichita, KS	4
132. Wilkes-Barre, PA (Allentown OPC)	1975	5/2/75	Hahnemann Medical College Philadelphia, PA	120
133. Wilmington, DE	1979	9/6/79	Jefferson Medical College of Thomas Jefferson University, Philadelphia, PA	30
134. Wood, WI	1948	1/12/82	Medical College of Wisconsin, Milwaukee, WI	5

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V. VA INDEPENDENT OUTPATIENT CLINICS AFFILIATED WITH MEDICAL SCHOOLS UNDER THE PROVISIONS OF AN APPENDIX 2A AGREEMENT SHOWING YEAR OF INITIAL AFFILIATION, DATE OF CURRENT AGREEMENT AND MILES FROM AFFILIATE

INDEPENDENT OUTPATIENT CLINICS	INITIAL YEAR	CURRENT AGREEMENT	AFFILIATED MEDICAL SCHOOLS	MILES FROM AFFIL.
1. Boston, MA OPC	1972	1/25/77	Boston University School of Medicine, Boston, MA	2
		5/4/79	Tufts University School of Medicine, Boston, MA	
		1/25/77	Harvard Medical School, Boston, MA	
2. Columbus, OH OPC (Columbus OPC)	1975	10/1/79	Ohio State University College of Medicine, Columbus, OH	*
3. El Paso, TX OPC	1974	11/23/73	Texas Tech University School of Medicine, Lubbock, TX	330
4. Lubbock, TX OPC	1974	9/4/73	Texas Tech University School of Medicine, Lubbock, TX	3

VI. VA REGIONAL OFFICE OUTPATIENT CLINIC AFFILIATED WITH A MEDICAL SCHOOL UNDER THE PROVISIONS OF AN APPENDIX 2A AGREEMENT SHOWING YEAR OF INITIAL AFFILIATION, DATE OF CURRENT AGREEMENT AND MILES FROM AFFILIATE

REGIONAL OFFICE OUTPATIENT CLINIC	INITIAL YEAR	CURRENT AGREEMENT	AFFILIATED MEDICAL SCHOOL	MILES FROM AFFIL.
Honolulu, HA	1975	3/6/75	University of Hawaii John A. Burns School of Medicine, Honolulu, HA	5

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Question: What are the basic components of most of the agreements between the schools and facilities?

Answer: The medical school accepts responsibility for the education and training programs conducted in collaboration with the VA facility. The Veterans Administration provides the patient care base for these programs but retains full responsibility for the care of the patients, including all related administrative and professional functions.

Question: What type of long-term relationship do you foresee in the future for these schools and the VA?

Answer: The VA is currently reviewing all medical school affiliations. It appears that the majority of the current relationships will continue. There may be a few additional affiliations established and some affiliations may be terminated if the present programs do not warrant continuation.

FY 1984 BUDGET

Question: What does your fiscal 1984 budget include for the hospitals in Lexington and Louisville, Kentucky?

Answer: The process for establishing the FY 1984 budget at the Medical Center level is presently in the initial development stage. Specific dollar allocations for these Medical Centers will not be determined until June, 1983. However, the tentative overall Medical Care Appropriation funds in FY 84 for Lexington and Louisville are as follows:

Lexington	$62,747,612
Louisville	$36,061,656

Final allocation of funds for VA Medical Centers is dependent on Congressional approval of the Veterans Administration budget.

FY 1984 PROJECTED CASELOAD

Question: What is your projected caseload in Lexington and Louisville in FY 84? Do you anticipate increases or decreases in the caseload at these facilities in future years? Please explain.

Answer: The Medical Center Directors at Lexington and Louisville project the following caseloads:

	Patients Treated	Outpatient Visits
Lexington	12,984	96,000
Louisville	7,650	74,500

Projections being used in the Medical District Initiated Program Planning (MEDIPP) process for planning horizon of 1990 indicate there will be an increase in certain segments of patient activity; specifically in the areas of patients treated and outpatient visits. It must be noted that all projections will be significantly effected by changes in veteran eligibility and/or availability of resources.

FY 1984 STAFFING LEVELS

Question: What are the staffing levels envisioned for FY 84 at these facilities? How do these compare with FY 82 and FY 83? Please explain any major changes.

Answer: The following represents the recurring staffing levels for FY 84 for VA Medical Centers at Lexington and Louisville as well as the levels for FY 82 and FY 83:

	FY 82	FY 83	FY 84
Lexington	1707.4	1712.0	1734.8
Louisville	842.8	847.6	868.7

The major increase at both medical centers between FY 83 and FY 84 were due to additional staffing associated with planned unit dose conversions.

MAJOR CONSTRUCTION

Question: Are any major construction projects anticipated at these facilities in the next five years?

Answer: A major construction project has been presented in the 5-year facility plan for FY 1985 at both facilities. At Lexington a Clinical and Administrative Addition is planned to be constructed at the Cooper Drive Division. At Louisville, a Clinical and Education Addition is planned. Both projects will provide additional space to support the ambulatory care programs at the facilities.

BILOXI, MISSISSIPPI, MODERNIZE VARIOUS BUILDINGS

Question: You have a fiscal 1984 request for $78 million to modernize various buildings at the Gulfport and Biloxi Divisions. Would you explain in some detail the work that is to be done and the need for the work?

Answer: For the Gulfport Division, complete renovation of five psychiatric buildings, a nursing home care and clinical support building; and construction of a new boiler plant and laundry building. The renovation will provide patient privacy for all nursing units, bring each building into compliance with the current fire/safety and other building code requirements, and provide essential mechanical and electrical services for a 500 year flood condition. For the Biloxi Division, complete renovation of the main hospital building, two domiciliaries and an administration building. The renovation will provide patient privacy for all nursing units and bring each building into compliance with current fire/safety and other code requirements.

ADVANCE PAYMENT OF EDUCATIONAL ALLOWANCES

Question: You have proposed the elimination of advance payments. How many veterans would be affected should this be adopted?

Answer: In 1984, about 65,000 veterans would be affected.

Question: Why won't this proposal just result in a delay in payment rather than an actual cost-savings?

Answer: Most of the savings in 1984 do result from a delay in payment. However, of the $15.6 million in savings, $3.4 million is attributable to a reduction in overpayments.

Question: Isn't such a change likely to discourage, if not make it impossible for, some veterans to pursue their education?

Answer: We do not believe that elimination of advance payment will discourage or prevent veterans from pursuing educational opportunities. The circumstances, which existed 12 years ago when the VA initially proposed draft legislation for advance payment, have changed significantly. The mean age of the veterans who are currently pursuing training under the non-contributory education program has risen. Today's veteran-student is married, with an income (sometimes two incomes) to assist him or her to meet educational expenses. In addition, many educational institutions have developed financial aid packages to help their students cope with the costs of education.

CORRESPONDENCE TRAINING

Question: What were the principal types of correspondence training under taken in FY 82 and FY 83?

Answer: The overwhelming majority of correspondence trainees enroll in vocational-technical courses. Electronics, radio-television, air conditioning and refrigeration, and computer technology courses appear to be the most popular correspondence courses for trainees receiving VA educational benefits. There is also a relatively stable number of veterans and eligible persons who enroll in bar review courses each year. Enrollments in truckdriving and heavy equipment operation courses, which at one time included large numbers of trainees, have substantially declined in recent years.

Question: How many persons took correspondence courses in FY 83 and what was the average cost of the training?

Answer: Through December, 1982, there have been 11,927 veterans, servicepersons and spouses enrolled in correspondence courses at an average cost of $110. It is anticipated that by the end of the year these figures will be 25,520 trainees at an average cost of $219.

QUESTIONS SUBMITTED BY SENATOR BYRD

JOBS BILL

Question: The Congress is currently in the process of constructing a "Jobs Bill." This Bill is likely to include $75 million for the Veterans Administration maintenance and repair program. The Senate report accompanying the "Jobs Bill" directs the VA to accelerate its Fiscal Year 1984 projects. For each of the following projects please indicate whether or not the project will be accelerated and funded in the "Jobs Bill". If the project is not funded through the "Jobs Bill", give the rationale in some detail.

Location	Project	Cost
Beckley	Heating System	$53,000
Huntington	Emergency Generator	32,000
Martinsburg	Traffic Light	14,500
Martinsburg	Emergency Generator	37,000
Clarksburg	Smoke Partition	133,000
Beckley	Damper and Control Replacement	54,000
Beckley	Evaporator Replacement	29,000
Clarksburg	Balance Air System	154,000
Clarksburg	Replace and Balance AHU	76,000
Clarksburg	Renovate Boiler Plant	563,000
Beckley	Boiler Modifications	35,000
Clarksburg	Boiler Replacement	1,935,000
Clarksburg	Replace Steam Traps	106,000
Clarksburg	Elevator Replacement	400,000
Clarksburg	Remove Dumbwaiters	30,000
Clarksburg	Reroof Bldg. 6	244,000
Clarksburg	Resurface Roadway	65,000
Huntington	Repair South Slip	53,000
Huntington	Resurface Roads	65,000
Martinsburg	Tuckpoint Ext. Doms.	42,000
Beckley	Manhold Ladders	40,000
Beckley	Interior Plumbing	90,000
Beckley	Replace Central Vacuum and Hot Water Tank	131,000
Beckley	Corridor Renovation 3/4 Floors	61,000
Clarksburg	Renovate Offices	36,000
Huntington	Lock System	34,000
Beckley	Replace Heating System	138,000
Beckley	Steam Distribution	66,000
Huntington	Central Still	30,000
Martinsburg	Replace Steam Returns	199,000

Martinsburg	Replace Water Lines	198,000
Huntington	Insulate Attics	50,000
Huntington	Replace Water Heaters	55,000

Answer: The determination whether or not a particular project can be accelerated and funded in the "Jobs Bill" depends on several factors. These factors are:

- Complexity of design may require contracting for A/E design services. This process requires a minimum of three (3) months.
- The magnitude of design may require extensive time and Veterans Administration Central Office technical review of the design.
- Initial recommendation for the selection of M&R projects will be made at the Medical District level based on medical center and medical district priorities. This selection process for FY 1984 will be completed by April 15, 1983. Upon completion, we will forward this information to you by letter, with a copy to the Subcommittee.

The list of M&R needs includes all projects which were in our inventory and includes many needed M&R projects which could be accelerated. The projects which probably could not be accelerated would include those projects which require extensive design and review such as Renovation of Boiler Plant at Clarksburg at a cost of $563,000. This project replaced the Boiler Plant Replacement at Clarksburg for $1,935,000, which has now been deleted from our list and Elevator Replacement at Clarksburg at a cost of $400,000. Any of the other projects which are on the list may possibly be accelerated. Any station not able to accelerate a project on this list will be required to explain that decision.

CLARKSBURG VA MEDICAL CENTER

Question: The FY 1983-FY 1987 Five-Year Medical Facility Construction Plan published by the Veterans Administration last June 30, indicates that the Clinical Addition and Alterations planned for the Clarksburg, West Virginia, VA Medical Center, would tentatively be budgeted in fiscal year 1984. This project has experienced some slippage due to necessary redesign activities. For the record, please indicate the status of this project, its estimated cost, the need for the facility and the tentative budget year when this project will be funded, and the reasons for any slippage.

Answer: The status of the Clinical Addition and Alterations project shows that the conceptual designs are finished. The first preliminary drawings on the selected design were started March 14, 1983, and are scheduled for completion September 19, 1983. The current estimated cost including the addition of a surgical suite is estimated at approximately $25.0 million. Originally the VAMC at Clarksburg was constructed without facilities for outpatient treatment. This project will add outpatient capability and correct the physical and functional deficiencies. This project was originally planned for FY 1984, however, due to recent scope changes and new

workload projections, it has been necessary to reschedule the project for consideration in FY 1985.

Question: Please provide the same information for the Boiler Plant Replacement at the Clarksburg Center which has tentatively been scheduled for 1986. Is this project on schedule? If not, why not?

Answer: This project was originally planned as a replacement for the existing boiler plant at an estimated cost of $2.8 million. However, a technical assessment of the existing boiler plant found that the only requirement to upgrade the plant was replacement of some equipment and controls. This project is now scheduled for FY 1984 at an estimated cost of $650,000.

BECKLEY VA MEDICAL CENTER

Question: Please provide for the record a similar status report on the $25 million Clinical Addition and Alterations at the Beckley VA Medical Center. Is this project still scheduled for funding in fiscal year 1985? If not, why not?

Answer: This project is no longer scheduled for FY 1985 and has been rescheduled for FY 1986. The main reason for delay of this project is due to resolution of new programmatic changes which were provided in the recent Medical District Initiated Program Planning. We are currently in the early stages of developing new workload data based on the district plan, which are required prior to preliminary planning. At this point in time we would be unable to develop this project where it could be considered before FY 1986.

HUNTINGTON VA MEDICAL CENTER

Question: Please provide for the record a similar status report on the $15 million Clinical Improvement Addition at the Huntington VA Medical Center. Is this project still scheduled for funding in fiscal year 1985? If not, why not?

HUNTINGTON VA MEDICAL CENTER

Answer: The Huntington VA Medical Center is located in the same medical district as Beckley and was also delayed due to resolution of new programmatic changes which were provided in the recent Medical District Initiated Program Planning. This project is currently in the same state as VAMC Beckley and we are awaiting development of new workload data based on the district plan. At this point in time we would be unable to develop this project where it could be considered prior to FY 1986.

MARTINSBURG VA MEDICAL CENTER

Question: The FY 1983 -FY 1987 Five-Year Medical Facility Construction Plan published by the Veterans Administration last June 30, indicates that the replacement of the laundry building planned for the Martinsburg, West Virginia, VA Medical Center, would tentatively be budgeted in fiscal year 1986. For the record, please indicate the status of this project, its estimated cost, the need for the facility and the tentative budget year when this project will be funded, and the reasons for any slippage.

Answer: We are in the preliminary stage of developing the replacement laundry project for VAMC Martinsburg, West Virginia. This project, with a magnitude cost estimate of $12 million, is being considered for the FY 1986 budget.

The present laundry building is antiquated and needs to be replaced with both a modern facility and laundry equipment. It was constructed in 1943 as part of the original hospital complex of cantonment type wood frame structures. The new laundry was to be part of the replacement medical center project. It became necessary for the Agency to trim the laundry portion in order to reduce the replacement medical center cost.

Currently there is an arrangement for the VAMC Martinsburg, West Virginia, laundry to service VAMC Washington, D. C. This arrangement will continue with the replacement laundry facility. There has been no slippage in the laundry project.

GRAFTON NATIONAL CEMETERY

Question: The Grafton National Cemetery was established in 1867. Currently, 2,100 gravesites are maintained on 3.2 acres. This cemetery is presently closed to new interments. However, the VA, at my request, is investigating the feasibility of expanding the cemetery by five acres. If this plan is implemented, the cemetery could reopen and extend its longevity to the year 2030. The budget before the Committee includes $1.75 million to develop the five acres of land. As you may know, I am fully in support of this project. Would you document for the record the need and advantages associated with the reopening of this cemetery.

Answer: Grafton is the only national cemetery in West Virginia and it is currently closed. The closest open VA national cemeteries are the soon to open national cemetery at Quantico, Virginia and the recently opened regional cemetery at Indiantown Gap, Pennsylvania; each is about 250 miles from Grafton. This expansion is required as the distance to these cemeteries is too far to adequately serve the veterans of West Virginia.

Question: I have been watching this situation closely. When will the engineering study be completed and what additional steps must the VA then take?

Answer: The contractor started his work on February 4, 1983. His report is due to be submitted by late April 1983. If the report concludes that the land is suitable for burials, we will then have an Architect/Engineer prepare cost estimates for the development of land. If the land is suitable, the cost estimate reasonable, and there are no environmental problems, we would be willing to accept the proposed donation of the acreage. This then would bring us to late June. Land offered to the Government must be cleared with the Department of Justice. This would take from six months to a year. Meanwhile we would be preparing the working drawings and bid documents.

Question: Recognizing the many steps required for developing the acreage, when would you anticipate that the expansion would be available for burials?

Answer: Assuming that the time tables will be met, the development should be ready for use within nine to twelve months which would put us in the early 1985 time frame.

QUESTIONS SUBMITTED BY SENATOR CHILES

VETERANS' NATIONAL CEMETERY IN FLORIDA

In 1980 President Carter announced his approval of a new national cemetery in the State of Florida. Since that time the VA has been moving forward in the necessary environmental process associated with site selection. Everything, up to this point, has appeared to be on schedule with the original projections. Now, however, instead of the original 1986 completion date it appears the VA is working for completion in late 1987 or early 1988. I have written the Administrator on this point but have not, as yet, received a reply.

Question: Please provide information on the amount of funds required this year (FY 84) to perform the master planning for the Florida cemetery project and confirm that the VA does intend to move forward this year with master planning.

Answer: The VA does intend to move forward this year with Florida master planning. It is anticipated that site selection will be completed in time for master planning to begin in June 1983. The master plan process should be completed by June 1984 at an estimated cost of $350,000.

Question: Please comment as to why the completion date was moved from 1986 to 1988 and whether, if necessary funds were provided, the cemetery could be completed in 1986.

Answer: Several events have caused unavoidable delays resulting in necessary schedule changes. The Environmental Impact Statement, originally planned for completion in February 1983 will not be ready for publication in the Federal Register until April 1983. The Record of Decision, identifying the site selected, cannot be completed earlier than June 1983. The master planning process would then begin and would not be completed until June 1984 so the earliest date that required funds can be requested would be the 1986 budget. Providing additional funding could not speed up the process significantly. We would still be working within an early 1988 time frame.

Question: Please provide your anticipated schedule for funding requirements for fiscal years 1984, 85, and 86 to complete the cemetery project. Also, please provide what changes would be necessary if the VA were to complete the cemetery by 1986.

Answer: Through FY 1984 VA would require approximately $350,000 to do the master plan. The $350,000 will be provided through the Construction, Major Advance Planning Fund. This funding was appropriated prior to FY 1984. Pending outcome of the master plan, funding cannot be budgeted until 1986 as firm requirements would not be known until then. Our magnitude 1986 construction estimate for project completion would be in the $5,000,000 to $6,000,000 range. No changes could be made to complete Phase I development by 1986.

CLOSING COMMENTS OF CHAIRMAN

Senator GARN. Let me make a couple of comments in closing the hearing today. The questions are going to get tougher in the future because a lot of things I have asked in the past have not been answered. This is my third year as chairman of the subcommittee. Simply, years go by and nothing happens; the questions are not answered. I am a friend of the VA. I belong to all the veterans' organizations—the VFW, the American Legion.

I got into a lot of trouble on the Senate floor a couple years ago with the veterans because I made the statement that the VA is one of the biggest, fattest pigs around. I haven't retracted that statement. The veterans thought I was referring to them as individuals, but what I was referring to was lack of priorities in the VA. I do not believe the veteran is well served if money is being wasted and if hospitals are being located in places where the veterans aren't and not placed in other areas there isn't adequate care. So I am sure there are still a lot of them around who are still upset with me, because my statement went out in the news media. While the quote was absolutely correct, many of them missed where the quote was directed.

One of the reasons the VA over the years has been wasteful is because it has been a sacred cow. All the VA had to do was come up to Capitol Hill and ask for a budget and everybody voted for the veterans. You just didn't vote against it. If you wanted an easy add-on, in most years just say it was for veterans and it got through. Some other departments can't get away with a complacent attitude or lack of justifications in their budget.

As an example, you can't imagine the scrutiny that NASA gets and how carefully they have had to prepare their budgets over the years, because they don't have the constituency that veterans and certain other programs do.

So I started out this process of chairman of this subcommittee as a friend of veterans, which I still am, but I have found that the VA has made a large number of mistakes and has tarnished its public image as a result.

So the reason I say the questions will get tougher is I came to this subcommittee 2 years ago with an attitude of, "Hey, let's work together. You give me the justifications. If you can prove something, fine, I will do everything I can to help the VA get it." I will ask some questions about priorities and funding that I think deserved to be answered. Too many of them have not been answered.

I am making these statements not as a threat, but we will be back next year. I will still be the chairman for at least 1 year. I can't speak beyond the 1984 election. But I say it in a spirit of cooperation. If we are going to get through $200 billion deficits in the country and get interest rates down and people back to work, agencies have to look within and get the most amount they can for the dollar.

I still think there has been room over the years for the VA to do a better job because, in some cases, it is a matter of not having the constituency. I am asking for justifications. I will fight for you for a big budget if you can justify it for me. I will be out there on the floor leading the fight for increases if you can prove to me that programs have been done well and they are serving veterans. We are not going to economize on those needs. But I have a hard time when we build buildings, tear them down before we have occupied them, and then rebuild them. I can't sell that on the floor of the Senate and I can't sell it to my constituents. So when we ask for things, I hope that they are forthcoming. I asked for a report by February 1. The date isn't particularly important, other than maybe symbolically saying now that I can have it. A month one way or another isn't important, except if it is available, why wasn't it here on February 1, rather than saying, "Yes, we will get it to you."

I am not an adversary; at least I don't want to be an adversary. I want to do the best job we can for veterans. I hope next year when your budget comes up you will take note of some of the things I said today. If you see trouble and have staff and expertise and highly qualified professionals to say this is the reason, this is the justification for it, and we stand behind it and we need it and we want you to appropriate it for us, if you will do that, you will find you have a friend here. If we continue to find many cases beyond normal human errors that we all make, then it is going to get tougher.

I hope you understand the spirit in which I am saying this. I am certainly not trying to get anybody, rather I am trying to be helpful and cooperative. We all ought to be on the same team, not just because one of us is in the legislative branch and the other is in the executive branch. There is too much of that adversary relationship going on. Rather, we should recognize that we all have the same goal of serving the veterans of this country in the best way we can.

Mr. WALTERS. Mr. Chairman, we accept your challenge. I have a caveat, however. I come from the Department of the Army, a rather unmaligned group in terms of the kind of pressure that comes upon it. In my 75 days in the Veterans Administration, I must share with you a caveat. The caveat is this Administration, the Veterans Administration, is torn assunder by many, many pressures that are moving against one another, not necessarily with each other. The question you may ask, and not get the answer, may be because the answer given to someone else was an answer we couldn't give to you because we have many pressures. We have pressures from the White House, we have pressures from veterans' groups, we have pressures from oversight committees in the House and Senate, as well as the fine staffs that you have on the Appropriations Committees in the Senate and House. It is not always the same question. In fact, not always is there agreement on what the answer might be. Dr. Custis is a seasoned veteran of this pressure. The caveat is there. I live in the real world. We will do what you asked us to when we can. When we can't, we should tell you why we can't, and that I can tell you we will do.

Senator GARN. I understand what you are saying. I have been around here for 8 years and, frankly, I am tired of the game that goes on, and it is a game. No disrespect to Dr. Custis, but the longer you have been here, the more you know the game. I have been on the executive side of government at a lower level, and I know you sit there and think, "Well, we have to figure out honestly how to get by these yokels up there who think they are God's gift because someone elected them or conned them into sending them here." If only politicians, whether elected or appointed, would learn that just being direct and candid solves a lot of problems. It really does. During my 8 years in the Senate I don't think I have joined the game yet. I wish somebody would tell me if they think I have.

A lot of those pressures you talk about are self-imposed because that is the way it used to be or that is the way we have become accustomed to working the process in Washington. But I have been a maverick the whole time I have been here. I upset all kinds of colleagues; I walk on the floor and call my colleagues gutless. It is in the record. It is amazing how much you can separate the wheat and chaff just being direct.

Mr. WALTERS. We accept your challenge.

Senator GARN. With this agency, or any other agency, you will find there won't be any games. I will fight for an agency, not against it. I am not afraid to go to OMB. Wally Berger will tell you OMB gets their cages rattled by him, to the point one day he decided he didn't need to use a telephone from the cloakroom. OMB could hear me all the way down the street if I just stepped out of the building.

So I really don't give a damn about tradition, convention, and pressure. Just straight out facts and figures.

Mr. WALTERS. We are going to give you an armor-plated vest and let you lead the challenge.

Senator GARN. We accept that.

Thank you very much.

SUBCOMMITTEE RECESS

The subcommittee is recessed.

[Whereupon, at 11:30 a.m. Thursday, March 10, the subcommittee was recessed to reconvene at 10 a.m. Thursday, March 24.]

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT-INDEPENDENT AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

THURSDAY, MARCH 24, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10 a.m. in room SD–124, Dirksen Senate Office Building, Hon. Jake Garn (chairman) presiding.

Present: Senator Garn.

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF SCIENCE AND TECHNOLOGY POLICY

STATEMENTS OF:
JERRY D. JENNINGS, EXECUTIVE DIRECTOR
DOUGLAS PEWITT, ASSISTANT DIRECTOR FOR GENERAL SCIENCE

OPENING REMARKS

Senator GARN. The subcommittee will come to order.

The Office of Science and Technology Policy was created by the National Science and Technology Policy, Organization, and Priorities Act of 1976. The Office was designed to provide advice to the President on scientific and technological considerations involved in areas of national and international concern and advises the National Security Council on the scientific and technological factors related to national security and international issues.

The Office has, in the past, provided general leadership and coordination of the research and development programs of the Federal Government and assisted the Office of Management and Budget with reviews of proposed budgets for Federal R&D programs.

In addition, the Office reviewed industrial and business activities in research and development and the factors influencing innovation. The Office advised Congress on the executive branch's views regarding science and technology policy.

BUDGET REQUEST

Your budget request for fiscal year 1984 is for $2,088,000 and 15 full-time permanent positions. This represents an increase of $176,000 over your fiscal year 1983 level.

I understand that Dr. Keyworth could not be with us this morning due to the President's speech last night and his responsibilities there, but I did feel it was necessary for us to go ahead with the hearing.

We are on a very tight schedule. The Senate, for once, is trying to do their work on time. It may not work, but we are trying to stay away from continuing resolutions and complete our appropriations process on time for a change.

So I felt it was necessary for us to continue with our hearings this morning and certainly, I would be happy to meet with Dr. Keyworth at some later time to further discuss the activities of OSTP.

If you would like, please go ahead with your statement.

Mr. PEWITT. Thank you, Mr. Chairman.

I have a statement of Dr. Keyworth that has been given to your staff; I would like to summarize that.

Senator GARN. We will be happy to include the entire statement in the record at the close of your summary remarks.

Mr. PEWITT. I was just talking to Jay this morning. He is very anxious to chat with you. We would be most happy to provide followup on the President's speech last night.

SUMMARY OF STATEMENT

It is an honor to be here to stand in for Dr. Keyworth today and to present the budget request of the Office of Science and Technology Policy for fiscal 1984. However, before we discuss the specific request, I would like to describe briefly the context in which our activities are being carried out this year.

Let me start off by saying quite bluntly that as science adviser to the President, Dr. Keyworth's concern is foremost on the health of the Nation, not specifically on the health of science or technology.

His responsibility is to bring the power and the resources of science to bear on dealing with national problems and priorities.

THREE CRITERIA ESTABLISHING GUIDELINES

Our proposed programs for fiscal year 1984 embody three criteria that guide us to that end: The first one is familiar to you. We continue to look carefully and critically at which R&D activities are appropriate for the Federal Government to fund and which are more appropriate for the private sector.

We want to stress that this is not an ideological issue, but, in fact, it is a very pragmatic one, an attempt to let necessary functions be carried out where they will be done most efficiently and most effectively and provide the greatest benefit to the Nation.

Our second criterion hinges on the fact that any evaluation of American science and technology today clearly reveals fields of research ripe for profound intellectual advances.

Much of our activities focus on identifying those activities and opportunities, and they constitute the areas of greatest emphasis in the R&D budget that the President has presented to the Congress this year.

Finally, we know that the taxpayers derive two tangible benefits from Federal R&D support: One is the transfer of knowledge from laboratories into society—the process of innovation that creates new products and industrial processes.

Today, in this country, we know that the process doesn't work as well as it should or as well as it could. We are determined to stimulate greater interaction, and to make sure that the best R&D is supported well enough to permit rapid progress in developing new ideas that lead to technological innovation.

RESEARCH AND DEVELOPMENT POLICY

There is another factor, and that is where we support research. Here, we are guided by a looming reality: As long as total Federal and private R&D continues to increase, our progress will become increasingly dependent on the availability of trained scientific and technical personnel. So we have to look for ways to make sure that we derive educational and training advantages from federally supported research. A proven way to meet these needs is through university research in which graduate students participate.

MAJOR NATIONAL GOALS

Earlier I emphasized that federally supported R&D must serve the Nation, so let me review briefly the major national goals that are particularly affected by our R&D policy.

Defense is clearly central to the Federal R&D budget. The United States places great reliance on maintaining a technological advantage over potential adversaries, rather than in trying to match up in terms of troops strength and deployment. The growth proposed for defense R&D is remedial this year, a necessary investment to restore our technological lead over the Soviets that was consistently eroded during the 1970's.

The country's industrial health is at the heart of the other major element of the R&D budget. For that reason, a number of our proposed fiscal year 1984 initiatives aim at this interaction between fundamental research and its eventual application in industry, as well as to new kinds of interactions between universities, Federal laboratories, and industry.

Throughout the budget, we have emphasized two things: The basic research we need to fuel our new technologies, and the academic institutions that produce trained personnel to drive our industrial growth.

Mr. Chairman, we believe many critical areas of R&D were, frankly, underfunded over the last decade. Nonetheless, we are not proposing a general infusion of Federal funds into R&D as a remedy.

The substantial growth we have proposed in basic research is not science for science's sake, and it is not an attempt to beef up or field simply by increasing the number of projects.

We view this as an investment, and we will get the best return on it if we can concentrate on the best projects we can identify and if we provide enough funding to permit these nuclei to grow into world-leading concentrations of research excellence.

NATION'S ACADEMIC INSTITUTIONS

We are especially concerned today with the condition of our Nation's academic institutions. Although the Federal Government has provided substantial support for basic research over the past 20 years, our academic institutions, at least in the area of physical sciences and engineering, areas important to our national defense, have deteriorated.

We attribute this, at least in part, to the fact that an inordinate share of that support has gone to other institutions. With a few exceptions, universities have become less attractive places to pursue research careers. Inadequate equipment and instrumentation limit the quality of both research and education.

It is increasingly clear that this problem of education has a critical relationship to the future growth of our whole civilian and defense R&D capability. This accounts, to a large extent, for our emphasis on Federal funding of research through the National Science Foundation and other university-oriented programs.

LOSS OF SCIENTISTS AND ENGINEERS

Last year at these hearings, this problem was discussed at some length. You were concerned, and rightly so, about the loss of scientists and engineers from colleges and universities.

At that time, Dr. Keyworth said those issues of university facilities and the problems of attracting and keeping new Ph. D.'s as researchers and teachers in academia were among our highest priority concerns.

I hope it is evident by now that we haven't been idle during the intervening months. In addition to our proposals for improving research climates in universities, we have proposed several specific new programs to address what we believe is the most critical problem: The inadequate supply of new junior engineering science and faculty in universities and the shortage of qualified secondary school science and math teachers.

We expect the new Presidential Young Investigator Awards to attract Ph. D.'s to university research who might otherwise pursue nonteaching careers. And several new programs would improve the supply of qualified science and math teachers in secondary schools.

Because these education programs concentrate resources strictly where they are most needed—on good faculty—we anticipate substantial long-term benefits.

FEDERAL RESEARCH PROGRAMS

Fiscal year 1984 can be a pivotal year for Federal research programs. The administration science and technology policy addresses critical needs in our society, and we are anxious to work with the Congress to set the country on a productive course to make the best possible use of the resources and potential of our universities, Federal laboratories, and industrial enterprise.

The Office has been involved throughout the year in formulating the administration's R&D programs I have described. We have, as well, conducted many activities that don't show up directly in the R&D budget, and Dr. Keyworth hopes to discuss them with you in the near future. However, at this time, I would like to present a brief summary of our specific budget request, if I may.

OFFICE BUDGET REQUEST

We are requesting an appropriation of over $2 million this year. It is an increase over the 1983 amount by a significant fraction. Personnel compensation and benefits account for approximately two-thirds of our request. This year, that figure includes costs incurred for all individuals employed at OSTP as well as for 55 percent of those employees detailed to OSTP from other agencies.

The full-time equivalent positions for the Office will remain at 23 for 1984.

Standard level user charges and communications, utilities, and other rents account for one-quarter of the request, and reflect substantially higher rates imposed by GSA. The balance, an additional $170,000, covers travel, repairs and maintenance of equipment, printing, procurement, supplies, and other administrative expenses.

You also have before you a fiscal year 1983 pay supplemental for $73,000. This would cover costs mandated for the 4-percent general pay raise during 1983 and for the employer's portion of employee medicare taxes and for pay increases for certain executive level positions.

This concludes my statement, sir.

PREPARED STATEMENT

Senator GARN. Thank you, Mr. Pewitt. We will insert Dr. Keyworth's prepared statement in the record at this point.

[The statement follows:]

STATEMENT OF DR. GEORGE A. KEYWORTH II, SCIENCE ADVISER TO THE PRESIDENT, AND DIRECTOR, OFFICE OF SCIENCE AND TECHNOLOGY POLICY

Senator Garn and members of the subcommittee, it's my pleasure to present the budget of the Office of Science and Technology Policy for fiscal year 1984. I would like to describe briefly the context in which our activities are being carried out. That is, what is the role of science and technology in this administration, and how do we propose to implement our science and technology policy in fiscal year 1984?

Let me start off by saying, quite bluntly, that as Science Adviser to President Reagan, my primary concern is foremost on the health of the Nation and not specifically on the health of science or technology. My responsibility is to bring the power and resources of science to bear on dealing with national problems and priorities. So in this administration, science and technology have been thoroughly integrated into the planning, analytical, and decisionmaking processes within the White House. This has resulted in a somewhat different alinement of R&D programs than we've had in the past. This is not to say that we don't have a responsibility to maintain and strengthen the health of our S&T enterprise as a national resource. But we also have insisted, as a corollary, that the Nation must get the best possible return on its Federal investments in science and technology.

Our proposed programs for fiscal year 1984 embody three criteria that guide us toward that end.

R&D ACTIVITIES

The first one is familiar to you. We continue to look carefully, and critically, at which R&D activities are appropriate for the Federal Government to fund and which are more appropriate for the private sector. I want to stress that this is not an ideological issue, but, in fact, is a very pragmatic one—an attempt to let necessary functions be carried out where they will be done most efficiently and provide the greatest benefit to the taxpayer.

In general, we've continued to shift the Federal role away from demonstrations of technology—which the private sector is generally better able to do—and back toward basic research and noncommercial development—which is an ongoing Federal responsibility. But we're prepared to recognize necessary exceptions. For example, in an area such as aeronautics, which was the subject of a major OSTP review this year, we recognized the economic importance to the Nation of a continued active Federal role in applied aeronautics research and testing—and we've recommended continuation of this role.

ADVANCEMENT IN RESEARCH

Our second criterion hinges on the fact that any evaluation of American science and technology today clearly reveals fields of research ripe for profound intellectual advances. Much of OSTP's efforts focus on identifying those opportunities—and they constitute the areas of greatest emphasis in the R&D budget.

BENEFITS FROM FEDERAL R&D

Finally, we know that the taxpayers derive two tangible benefits from Federal support of R&D. One is the transfer of knowledge from the lab to society—the process of innovation that creates new products and industrial progress. Today, in this country, we know that process doesn't work as well as it could. We're determined to stimulate greater interaction of academic, Federal, and industrial scientists and engineers, and to make sure the best R&D is supported well enough to permit rapid progress in developing new ideas that lead to technological innovation.

There's another factor, and that's where we support research. Here we're guided by a looming reality: As total Federal and private R&D continues to increase, our progress will become increasingly dependent on the availability of trained science and technical personnel. So we also have to look for ways to make sure that we derive educational and training advantages from federally supported research. A proven way to meet those needs is through university research in which graduate students participate. Federal programs must make sure the academic research community is fairly treated in competition with other research performers.

MAJOR NATIONAL GOALS

Earlier I emphasized that federally supported R&D must serve the Nation. So let me review, briefly, the major national goals that are particularly affected by our R&D policy.

Defense is clearly a central part of any Federal R&D budget. The United States places great reliance on maintaining a technological advantage over our adversaries rather than trying to match up in terms of troop strength and deployment. The growth proposed for defense R&D is remedial, a necessary investment to restore our technological lead over the Soviets that was consistently eroded during the 1970's.

The country's industrial health is at the heart of the other major element of the R&D budget. We have to be concerned about how Federal investment and leadership in R&D can contribute to the Nation's economic progress. For that reason, a number of our proposed fiscal year 1984 initiatives go to the heart of the interaction between fundamental research and its eventual applications in industry, as well as to new kinds of interactions between universities, Federal laboratories, and industry. Throughout the budget we've emphasized two things: The basic research we need to fuel our new technologies, and the academic institutions that will produce the trained personnel to drive our industrial growth.

Senator Garn, we believe many critical areas of R&D were, frankly, underfunded over the past decade. Nonetheless, we're not simply proposing a general infusion of Federal dollars into R&D as a remedy. The substantial growth we've proposed in basic research is not science for science's sake, and it's not an attempt to beef up a field by simply increasing the number of projects. We view this as an investment, and we'll get the best return on it if we concentrate on the best projects we can identify and if we provide enough funding to permit those nuclei to grow into world-leading concentrations of research excellence.

CONDITION OF NATION'S ACADEMIC INSTITUTIONS

We are especially concerned today with the condition of our Nation's academic institutions. Although the Federal Government has provided substantial support for basic research over the past 20 years, our academic institutions—at least in the areas of physical sciences and engineering—have deteriorated. I attribute this, at least in part, to the fact that an inordinate share of that support has gone to other institutions, particularly Federal laboratories. With few exceptions, universities have become progressively less attractive places to pursue research careers in those fields. Inadequate equipment and instrumentation limit the quality of both research and education. Salaries for young faculty are so low that many new Ph. D.'s forego what, not many years ago, would have been their preferred career choices.

UNIVERSITY RESEARCH PROJECTS

We've also failed to take advantage of the potential of some of the best university research projects because we haven't funded them at high enough levels. Now, in 1983, we see that in many cases the climate for research is poorest in the places that ought to be the best. We have to address that serious problem, both to protect the world-leading basic research capability we've built up over three decades and to make sure the universities can uphold the high standards for education that we've come to rely on from them.

It is increasingly clear that this problem of education has a critical relationship to the future growth of our whole civilian and defense R&D capability. This accounts, to a large extent, for our emphasis on Federal funding of research through the National Science Foundation and other university-oriented programs. For example, in fiscal year 1984 NSF basic research grants will support approximately 10,400 graduate students, who will then be available for the large S&T industrial personnel needs projected for the end of the decade and beyond.

LOSS OF SCIENTISTS AND ENGINEERS

Senator Garn, last year at these hearings we discussed this problem at some length. You were concerned, and rightly so, about the loss of scientists and engineers from colleges and universities. At that time I said those issues of university facilities and the problems of attracting and keeping new Ph. D.'s as researchers and teachers in academia were among our highest priority concerns.

I hope it's evident by now that we haven't been idle during the intervening months. In addition to our proposals for improving the research climate in universities—and in those fields of particular importance to industry and defense—in the past year we've also been consulting with many professional groups and universities about other problems of science and engineering education. We've proposed several specific new programs to address what we believe is the most critical problem: the inadequate supply of new junior engineering and science faculty in universities and the shortage of qualified secondary school science and math teachers.

We expect the new Presidential young investigator awards to attract recent Ph. D.'s to university research who might otherwise pursue nonteaching careers in industry. And several new programs would improve the supply of qualified science and math teachers in secondary schools. Because these education programs concentrate resources strictly where they're most needed—on good faculty—we anticipate substantial long-term benefits.

Fiscal year 1984 can be a pivotal year for Federal programs in R&D. The administration's science and technology policy addresses critical needs in our society. And we're anxious to work with the Congress to set the country on a productive course to make the best possible use of the resources and potential of our universities, Federal laboratories, and industrial enterprise.

Senator Garn, the Office of Science and Technology Policy has been involved throughout the year in formulating the administration R&D programs I've described. We have, as well, conducted many activities that don't show up directly in the R&D budget, and I would be happy to discuss them with you. However, at this time I would like to present a summary of OSTP's specific budget request for fiscal year 1984.

OFFICE BUDGET REQUEST

We're requesting an appropriation of $2,088,000, which is an increase of $249,000 over the amount appropriated for OSTP in fiscal year 1983. Personnel compensation and benefits account for approximately two-thirds of our request—$1,388,000. This year that figure includes costs incurred for all individuals employed by OSTP, as well as for 55 percent of those employees detailed to OSTP from other agencies. The full-time equivalent positions for the Office will remain at 23 for fiscal year 1984.

Standard level user charges and communications, utilities, and other rents account for one-quarter of the request—a total of $530,000—and reflect substantially higher rates imposed by GSA. The balance, an additional $170,000, covers travel, repairs and maintenance of equipment, printing, procurement, supplies, and other administrative expenses.

You also have before you a fiscal year 1983 pay supplemental for $73,000. This would cover costs mandated for the 4-percent general pay raise during fiscal year 1983, for the employers' portion of employee medicare taxes, and for pay increases for certain executive level positions.

COMMUNICATIONS BETWEEN OSTP AND SENATE APPROPRIATIONS SUBCOMMITTEE

Senator GARN. We appreciate you filling in on short notice, Mr. Pewitt.

Last year, I commented at the hearing that I did not feel that the communication between the agency and this subcommittee was adequate. I did want to state at the outset that the communication has improved dramatically, and we appreciate it. The cooperative relationship we have had has been much improved over the last year.

REPROGRAMING VIOLATIONS

Last year, I pointed out that you had violated the fourth-quarter spending provision in the fiscal year 1981 HUD appropriations bill without requesting the required waiver. You indicated this was due to an oversight attributable to learning on the job.

Last week, however, you notified us that several months ago you reprogramed funds from personnel compensation benefits without requesting the authority to do so as specified in section 409 of the fiscal year 1983 HUD appropriations bill.

This does put you in the unique position of being the only agency under our jurisdiction that has ignored these provisions.

What is your reason for this additional violation? Are you still learning on the job? [Laughter.]

Mr. PEWITT. OSTP didn't ignore the particular—I have to admit some ignorance there. Some last minute changes were made in putting together the 1984 budget request that were reflected in 1983.

We were remiss. It was called to our attention and I think you are now in receipt of a letter from Dr. Keyworth requesting the change as we should have done.

Senator GARN. The point is, we approve most reprograming——

Mr. PEWITT. Yes, sir.

Senator GARN [continuing]. From all of the agencies. They are not often turned down, so it is a matter of formality. But there is a Budget Act requirement that that be done. I am simply asking that you follow the procedure. It isn't a matter of arguing with you over whether the $61,000 reprograming should or should not be.

As I say, most of the time it is formality. We approve them. We just feel it is necessary that you are aware of what the Budget Act requires and that you send up those requests. Then we do have the opportunity to review them as we are required to do.

Mr. PEWITT. Yes, sir, we understand that.

OSTP REPROGRAMING FOR FISCAL YEAR 1983

Senator GARN. Could you also provide for the record a detailed breakdown of the intended use of the $61,000 that you are requesting for reprogramming?

Mr. PEWITT. Yes, sir, we will provide that.

[The information follows:]

With committee approval, we plan to use the $61,000 as follows:

SLUC.—$16,000. During August 1982, the OSTP acquired additional office space in the New Executive Office Building. With the acquisition of the additional space, our SLUC charge was increased for fiscal year 1983.

Supplies and materials.—$10,000. Costs incurred for essential Government manuals and publications, scientific and technical journals, and bulletins.

Communications, utilities, and other rent.—$35,000. Three newly leased tempest-tested Lexitron word processors at $23,527. GSA intercity telephone rate increase of $11,473.

GOVERNMENTWIDE R&D

Senator GARN. A review of Special Analysis K of the budget shows a healthy increase of $6.9 billion, or 17.7 percent, for total government-wide R&D over the fiscal year 1983 level.

This increase is comprised of a $6.7 billion increase in DOD R&D and a $0.2 billion increase in non-DOD. This represents an increase of about 29 percent for DOD and a 1-percent increase for other agencies.

Do you consider the distribution of this increase to be unbalanced in terms of the historic portion of R&D devoted to DOD programs?

Mr. PEWITT. No, I don't—we don't view that to be an imbalance. We view that as a move toward restoring the balance, a balance we feel very deeply this country needs to be restored to.

As I said in the opening statement, we feel that we need to restore our traditional technological leadership in the defense area to insure that the real strength of this Nation, which the President addressed last night, and that is our scientific and technological strength, something that no other country in the world can equal, and we should exploit that in order to insure our national defense.

We don't think that has been done adequately.

With regard to the small $0.2 billion increase in non-DOD areas, we think that we have continued to examine more carefully the appropriate role of the Federal Government in the variety of R&D activities.

I think that the Federal Government has tried in the past to inappropriately enter into areas where the private sector can best direct resources of this Nation.

We have made a significant shift within those civilian agencies from near-term development work in general that can best be left to the private sector initiative and have increased substantially the funds in basic research, an area that we believe is appropriate for the Federal Government.

The physical and engineering sciences, we have increased those funds; it is the largest increase requested in those areas of fundamantal science for any year since the early 1960's.

We think the Nation needs that increase. It is not a steady-as-you-go, or just a ratcheting down of civilian R&D.

Senator Garn. I would permanently agree with you. I would just hope once we receive some of the benefits from this R&D, we don't sell some of the technology to the Soviets.

Mr. Pewitt. Yes, sir.

NON-DOD BASIC RESEARCH

Senator Garn. I better not get started on that. That is the other hat I wear as the Bank Committee chairman and the OSTP bill, and that is a subject for another hearing and another committee and another day.

The same analysis shows a $469 million, or 9.4 percent, increase for non-DOD basic research.

How does that compare to previous years?

Mr. Pewitt. The nondefense basic research is—I don't have the exact figure, but overall, the nondefense basic research in the physical sciences is up something more than 15, but I think less than 20 percent. It is a significant increase.

In the agencies that support other areas of basic research in science, there is not that sort of increase. It is about the same as the increase in 1982, about half a billion dollars.

It might be—I don't want to inject in the science discussion partisan considerations, but since the early 1960's, there have only been 2 fiscal years, 4 budget years where proposals for increases in basic research have been as large as the proposal that we put forward this year.

[Clerk's note: OSTP was requested to provide additional backup information on this question. The following tabular responses were provided:]

NONDEFENSE BASIC RESEARCH

[Dollar amounts in millions]

	Fiscal year—			Percentage increase		
	1982	1983	1984	1983/1982	1984/1983	1984/1982
Total nondefense basic research obligations	$4,753	$5,256	$5,752	10.6	9.4	21.0
Nondefense basic research obligations in physical sciences	2,331	2,578	2,997	10.6	16.3	28.6
Nondefense basic research obligations in other areas of science	2,422	2,678	2,755	10.6	2.9	13.7

INCREASES IN BASIC RESEARCH

[In millions of dollars]

Fiscal year	Current dollars	Increase	Constant dollars	Increase
1962	$1,106		$3,243	
1963	1,152	$46	3,320	$77
1964	1,303	151	3,712	392
1965	1,435	132	3,997	285
1966	1,579	144	4,291	294
1967	1,846	267	4,858	567
1968	1,841	-5	4,684	-174
1969	1,945	104	4,721	37
1970	1,947	2	4,476	-245
1971	2,006	59	4,389	-87
1972	2,223	217	4,651	262
1973	2,242	19	4,493	-158
1974	2,398	156	4,474	-19
1975	2,600	202	4,414	-60
1976	2,779	179	4,411	-3
1977	3,269	490	4,857	446
1978	3,711	442	5,169	312
1979	4,206	495	5,379	210
1980	4,688	482	5,515	136
1981	5,041	353	5,397	-118
1982	5,439	398	5,439	42
1983	6,025	586	5,695	256
1984	6,619	594	5,920	225

Sources: National Science Foundation and Office of Management and Budget.

ADMINISTRATION'S SCIENCE PROGRAM

Senator GARN. The analysis identifies three basic thrusts of the administration's science program as follows: No. 1, attracts the highest caliber scientists and engineers, particularly young faculty members, into research and encourage and support them in their careers; two, encourage greater and more creative interaction among university, Government, and industry scientists to bring the Nation's best scientific expertise together; and third, upgrade the scientific instrumentation of universities to enhance productivity and excellence in research and education.

What I would like you to do, if you could, is to respond for the record on how the proposed R&D effort in the proposed legislation addresses each of those priority areas that you have outlined.

Mr. PEWITT. Yes, sir. We have a number of initiatives, and we would be happy to provide those for the record.

[The information follows:]

ADMINISTRATION'S SCIENCE PROGRAM

These three priority areas do not exist in isolation. They are different aspects of the problem of making university research and teaching careers once again attractive alternatives for our best best scientific and engineering graduate students. University campuses must again be the most exciting place where a good researcher is able to spend his/her time. Some of the initiatives which we have proposed in order to attain this goal include:

(1) Presidential young faculty awards. These are 5-year research grants for up to $100,000 annually, awarded to outstanding young faculty. The university will continue to pay the faculty member's salary and the awards have a built-in industry matching funding agreement to insure close interaction with the private sector and its scientific and technological needs and priorities.

(2) National centers; for example, the National Advanced Materials Research Center at Lawrence Berkeley Laboratory. By siting this center on the campus of one of the Nation's best research universities, we expect to be able to bring together some of the best minds in the academic, Government, and corporate worlds to work symbiotically on a list of problems of direct interest to both Government and industry.

(3) Upgrading university research instrumentation. The five principal research funding agencies—DOD, NIH, DOE, NASA, and NSF—will provide almost $400 million in fiscal year 1984 as part of a multiyear effort to upgrade academic research equipment. Several alternative nontraditional funding mechanisms, similar to some used by industry, including user fees, are also receiving increased attention by the universities.

NSF FELLOWSHIPS

Senator GARN. This year, NSF is requesting $19 million for NSF fellowships. This increase over fiscal year 1983 represents an increase in the stipends rather than the number of fellowships.

How important do you consider these fellowships in our own overall efforts to improve the quality and quantity of scientists?

Mr. PEWITT. It is important, and I appreciate that you mentioned the word "quality." We support large numbers of graduate students through the research programs with assistantships.

The question of quality is central to the fellowship program. It is terribly important that we have some way to signal true excellence and selection of excellent graduate students for fellowships that are given to the student and do not come to them through major professors and research universities.

We strongly support those fellowship programs, and we think, although they are a small attraction of the total graduate students' support in research, that they are terribly important to improve the excellence and quality of individuals that are in the institutions of higher learning.

Senator GARN. Your budget justification says that you are reviewing the problems and proposals for addressing the issue of precollege education.

As you know, I wrote a letter to the National Science Foundation on February 17 of this year in an attempt to delineate the roles of NSF and the Department of Education.

What distinctions do you see between the legitimate and historic roles of NSF and the Department?

Mr. PEWITT. If I can just precede my answer with an observation, we have read your letter very carefully. It was a most thoughtful letter and has given us considerable reason to reflect.

We are still wrestling with this problem and we are working with Dr. Knapp. I have informed your staff that you will receive an answer from us by the end of next week. That is a long time to answer, but you posed some very interesting questions to us.

Basically, we have looked at this——

Senator GARN. Apparently, there are a lot of people thinking about it. We are getting the same answer from most everybody.

Mr. PEWITT. It is a very thoughtful letter.

Senator GARN. I guess thoughtful letters deserve thoughtful answers.

Mr. PEWITT. Yes, sir, and we are not trying to just fire off a response. We have thought a lot about this, and it seems to us that there are some unique things about NSF. We know its role in science education goes back to the very formulation of the agency shortly after the Truman administration.

There is a 30-year involvement of the organization. It is clear that NSF has responsibility, unique responsibility for science and engineering research in the country. We have responsibility in NSF for investigations of new areas and pushing frontiers of scientific knowledge.

We also see that in the education area that there is a role for NSF to develop model programs; to investigate, understand, find out better how to do the job of education of kids in science and mathematics especially.

This would involve developing prototypes of programs and materials, and we think would involve some teachers in the delivery system.

The Department of Education, on the other hand, has a broader responsibility in educational matters and has far less experience than NSF in science and engineering, specifically.

They have broad responsibilities for providing educational opportunities and not for advancing the scientific knowledge.

They are concerned more than NSF, of course, with questions of achieving social equity and not totally dependent on—are not as concerned with just making awards on merit.

Delivery of programs for local training of teachers is clearly part of the Department of Education's job, and we would see that the Department of Education probably would be involved in delivering some of the materials developed by NSF and perhaps others for science teachers.

ADMINISTRATION'S R&D PRIORITIES

Senator GARN. Last month, Dr. Keyworth authored an editorial in Science on the administration's R&D priorities. In that article, he made a statement that I would like to explore in more detail, and I quote:

> Just as we have not allocated these funds for the usual reasons, we do not expect them to be used in the usual ways. Naturally, the various disciplines would welcome infusions of money to support more projects, say, the next 10 or 15 percent of the proposals—all good—that missed the funding cutoff. But the President has not allocated these growth funds to support next-best research. The real return on this Federal investment will come from focusing on the best projects * * *.

This philosophy of increasing the average size of the grants rather than increasing the number of grants is certainly reflected in NSF's fiscal year 1984 request. Thus, while grant resources available to NSF have increased by about 19 percent, the number of grants is expected to increase by less than 1 percent.

What do you expect to buy, from a scientific standpoint, by increasing the size of grants?

Mr. PEWITT. I mentioned earlier in my opening statement about the quality of research environment that we have in our research universities now. They are concerned that bright young people were no longer pursuing research careers at universities, and the country, then, would no longer gain the benefit of them, in turn, training new generations of bright young scientists, people we need; people the country will need.

We need to invest and fund more adequately, instead of funding at a 65- or 70-percent level, the research proposals of winners. If we really invest in adequate, proper instrumentation, then the very cutting edge research can be done at universities, so that graduate students, when they come out of universities, really do know modern instrumentation and are not in the position of some graduate students going into industry today, almost like being graduates of universities in lesser developed countries. We had gotten to that stage.

We see this as remedial, and we hope with this increase in funding to be provided to a greater number of people, we hope to restore some of the excellence that this country depends on in our scientific enterprise of NSF.

FUNDING BEST SCIENCE

Senator GARN. I understand that, but how can you be sure you are putting them into the best science? There is a disagreement. The National Academy says that 30 percent of NSF funding decisions would be reversed.

Mr. PEWITT. Thirty percent of the fundings; that refers to the peer review process. You do not help yourself by picking up another 15 or 20 percent of the funds. Certainly, there will be 70 percent that unambiguously would be funded. That 70 percent would definitely be improved.

The other 15 percent is on the margin and there are always questions. The process of scientific research is not a simple outcome. One cannot be sure that one is funding only the best. You can be sure you do fund only the best, and we want to make sure that we do that. We are sure that if you increase the number of grants that you will be increasing the number of perhaps best. We cannot deal with absolute certainty in the scientific process.

Senator GARN. I understand that, and I am certainly no scientist at all. But I am told that even in the top 20 percent of all proposals that a full 20 percent of those would be reversed by your peer review.

In other words, you have got some considerable difference of opinion.

Mr. PEWITT. Yes, sir.

Senator GARN. And where the best places to go are, so you expand them.

Isn't it possible that some of those additional ones, you occasionally—I certainly read in the scientific journals about somebody that accidentally stumbled onto something; no one thought it was that good, but they came up with a major breakthrough.

Are you limiting those possibilities by expanding these grants to fewer people?

Mr. PEWITT. I don't think that by increasing the number of people receiving Federal support, that that necessarily would increase the number of surprises in the scientific arena.

I suspect, more likely, if we funded the best people better so that they could pursue their work more effectively, that that might increase the number of surprises much more than funding some perhaps worthwhile research.

You are certainly not going to be able to exclude the possibility that someone not funded won't be able to pursue research, but it does not follow that lack of Federal support necessarily is going to stop useful work from being done.

Senator GARN. Oh, I agree, but it doesn't necessarily follow that just increasing the grant size is going to produce anything, either. It depends on where you spend it.

Mr. PEWITT. That is correct.

OVERHEAD COSTS

Senator GARN. Nicer facilities, travel, overhead. You know what I am talking about. I mean, we have all seen it. I am not a scientist, but I have seen the growth of grants, whether they are scientific or not.

I was a major, and I saw grant size increases that produced nicer offices, things got repainted, and you got a better coffee machine. It didn't have very much to do—it is nice.

Mr. PEWITT. That is overhead.

Senator GARN. That is overhead.

Mr. PEWITT. As you know, I think you asked this question last year about how we were looking at this overhead thing. We have been deeply involved with that. It is a very mixed bag, but I think that academic research institutions in this country fully realize that the Federal Government is looking very closely at this question of overhead, and it is not likely that we are going to see that overhead willy-nilly climb like it did in the mid-1970's.

There were reasons for that climb in the mid-1970's, but it is not clear that all those would be included in today's environment, and they understand that. They understand they are under the gun. I don't think we are going to see nicer and bigger offices and more trips to Rio by our research professors. That is being watched too closely.

Senator GARN. It would be interesting to note, the death of Dr. Clark today. Having been involved in that as a bystander, and looking at the research of Dr. Koff, you ought to see how Dr. Koff started out at the facilities of the University of Utah. When the building burnt down they went to St. Mark's Hospital and produced an artificial heart.

There wasn't much overhead, and there weren't any fancy facilities, and he didn't travel anyplace—a rather remarkable achievement. You would be amazed at the kind of labs they had, what kind of a building they were in—a remarkable achievement without the overhead, and I have seen great, great abuse throughout the Federal Government.

As a member of the Appropriations Committee, where we round off to the nearest $50 million, I have heard that used in these very halls in markups. When it is on the floor for a $46 million increase in requests, they say, "Oh, that doesn't even make a difference. It won't even show in the budget, because we round off the nearest $50 million."

Mr. PEWITT. Those are large amounts of funds.

As I said, I don't think you find first-rate researchers concerned with the question of overhead and the question of really overly plush facilities. From personal knowledge of those individuals, they are less concerned with those questions than this next 15 percent that we might pick up.

The top-rated people are dedicated to their research and give their academic superiors, the deans and the presidents, as hard a time about the overhead rates as, I think, we would in their position.

Senator GARN. I don't disagree with what you are attempting to accomplish at all. I just want to continue to press you to use the funds as best you can for research and not for frills.

Mr. PEWITT. We are dedicated to that. I think we have a number of appointees in scientific positions within government who share that view.

FIFTH ORBITER

Senator GARN. As you are well aware, the administration and Congress has been grappling with the issue of a fifth Orbiter for several years. Given the cost of about $2.5 billion, including facilities, the multiyear nature of the funding commitment is clearly a decision that must be made by the administration.

Do you believe that the administration has made a final decision, or does the $100 million for spares included in NASA's fiscal year 1984 budget buy us more time to decide?

Mr. PEWITT. I think Dr. Keyworth would like to talk to you directly about that.

Let me just say, in general, about the fifth Orbiter, that our Office continues to be very supportive of the Space Shuttle.

As you know, it was a central part of the space policy that we helped develop. NASA Administrator Beggs and Dr. Keyworth have both made public statements with regard to whether or not we need a fifth Orbiter. Now that need is not clear. But it is perfectly clear that load growth could increase in the future, and we might need additional orbiters.

Dr. Keyworth's central concern is that there are a number of private entrepreneurs out there looking to provide launch capability. Purchase of the fifth Orbiter and a decision to go ahead with the fifth Orbiter now would be clearly perceived to be excess capacity over what is needed. It would freeze these private entrepreneurs out and we should be very careful before we proceed to announce a decision that would freeze out private initiative. That is central to his concern.

COMMERCIALIZATION OF LANDSAT

Senator GARN. I have some additional questions on this, but I will ask them for Dr. Keyworth's response in writing.

Could you describe the basic rationale and components of the plan recently adopted by the Cabinet Council on Commercial and Trade concerning the commercialization of LANDSAT?

Mr. Pewitt. I would be happy to.

The commercialization decision that the President announced on March 7 will involve a competitive process in which private firms bid on the land or weather satellites either separately or together. These proposals will be reviewed on the basis of their financial soundness and total costs to the Government.

Here again, we believe the private sector can operate these systems in an efficient and effective manner. It could also serve to reduce the scope of Government involvement in the U.S. economy. One of the Government's concerns has been its limitations in developing an expanded market for space technology.

We believe the private sector could expand the market for remote sensing data by searching out new applications and additional users. This will more fully offset the capital costs of the system. The private initiative and the U.S. economy could realize the benefits of the very significant Federal investment over the past decades.

REMOTE SENSING LEADERSHIP

Senator Garn. I understand that establishing a private entity and at the same time maintaining U.S. remote sensing leadership will require additional funding for fiscal year 1984; is that correct?

Mr. Pewitt. The fiscal year 1984 budget that we have before you for both NOAA and the NASA represents the Administration's current request.

However, the commercialization of the Government's remote sensing satellite systems will involve a competitive process. It is not possible to predict the nature of a private-sector bid to the Government for its current assets or the specific terms and arrangements a private-sector operator might seek from the Government. Therefore, it is uncertain what budget might arise in the future. It is not likely, however, to impact the fiscal year 1984 budget.

LANDSAT

Senator Garn. Given your problems with the current LANDSAT–4 and the proposed 1984 launch of the French SPOT satellite, what plans do we have of working on a successor for LANDSAT–4?

Mr. Pewitt. A fifth and final satellite designated LANDSAT–D will complete fabrication and ground testing this year; however, a launch date has not yet been established. There are no further plans for a specific Government follow-on to the LANDSAT program. This is one of the major reasons for pursuing an option of commercialization of land remote sensing functions.

USE OF DETAILEES

Senator Garn. In their action on the fiscal year 1983 HUD appropriations bill, the House reduced your budget some 14 percent and included a proviso prohibiting the use of nonreimbursable detailees after March 31, 1983.

As you recall, we had a similar concern that the use of large numbers of nonreimbursable detailees would place a heavy burden on the providing agencies and also make it difficult to perform oversight on your budget.

After some staff discussion, you agreed to limit your nonreimbursable detailees and the House receded on both the dollar amount and the proviso. The conference report language states:

> The conferees direct the Office to limit the number of nonreimbursable detailees to 50 percent of the total detailees used by the Office during fiscal year 1983.

What has been your experience to date in fiscal year 1983 in terms of staff months of these nonreimbursable employees and what are your plans for fiscal year 1984?

Mr. PEWITT. Right now we have employed 72 months of nonreimbursable employees and intend to employ twice that number for the year; 144 in total.

Moreover, so that we don't have another error, we are trying to keep the reimbursables at 55 percent to make sure we don't break 50 percent. That is a cushion for any accounting problem.

Senator GARN. Has this restriction hampered the operation of your Office?

Mr. PEWITT. It has not hampered us. We have managed to work effectively with the restriction.

Senator GARN. The conference report further stated that:

> It is estimated that given this requirement and the funds provided in this act, the Office could employ approximately 120 reimbursable and 120 nonreimbursable staff-months during fiscal year 1983. This is approximately the same total level of detailees used during fiscal year 1982.

How many staff-months of reimbursable and nonreimbursable detailees do you intend to have in 1984?

Mr. PEWITT. As you can probably tell, we have been a little busier this year than last year. Last year was really a getting-started period. Things have gotten a little busier. We anticipated 180 reimbursable staff-months this year and 144 nonreimbursable, but our request before you will cover those expenses.

SUBMITTED QUESTIONS

Senator GARN. Gentlemen, I appreciate your filling in for Dr. Keyworth. I do have some 22 additional pages of questions that I will not ask you to respond to now, but provide answers for the record.

Thank you very much for coming.

Mr. PEWITT. Thank you, sir.

Again, Dr. Keyworth apologizes and looks forward to meeting with you at an early opportunity.

Senator GARN. Thank you.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR GARN

ADMINISTRATIVE BURDEN

Question: Last year in response to a question of mine, you indicated that you were working with OMB to amend Circular A-21. The proposed amendments were designed to remove the paper work burden from the research faculty members and put it into the universities Administrative Office. What is the current status of these changes and what impact are they likely to have?

Answer: OMB Circular A-21 was revised, effective August 3, 1982, to give universities greater flexibility allocating salary costs and reduce their administrative burden. The revision replaces specific procedural requirements for documenting these costs with general principles for documentation and criteria for acceptable procedures.

In addition, I have also asked the White House Science Council to look further into this question.

CANCER POLICY

Question: Recently one of OSTP long term employees announced his intent to resign. I understand that he was in charge of your review of the National Cancer Policy. Do you expect this to have an effect on the conduct of that review? What is your timetable for completing the review?

Answer: First, let me say that I'm totally pleased with the way the study has been set up and with its progress to date. There will be no change regarding the direction of the study because of staff changes at OSTP. This is an important task and we will continue to provide the necessary scientific leadership to make sure it's done right.

We expect to complete and publish our work early in 1984.

EMPLOYMENT OF SCIENTISTS AND ENGINEERS

Question: Last year, we discussed the shortage of scientists and engineers. At that time, we were concerned about the shortages in these critical areas. I now note that in February, NSF reported that although, "The surge in demand for scientists and engineers in 1981 produced shortages of graduates in computer-and energy-related fields, by mid-1982, however, recruiters reported that these shortages had eased substantially." What is your current assessment of the situation?

Answer: Toward the middle and the end of 1982, economic activities were at their lowest point in several years, which accounted for a slowdown in demand for scientists and engineers. As the economy continues to regain its strength, this demand will pick up. The Deutch, Shea and Evan High Technology Recruitment Index bottomed in late 1982 and has since shown a modest rebound. Based on both NSF and Business-Higher Education Forum projections, we anticipate that spot shortages of engineers will be seen, both geographically and by specialty, but we do not expect any major mismatch between the supply and demand for technical and scientific manpower to develop over the next five years.

FEDERAL LABORATORIES

Question: You are currently conducting a comprehensive review of the more than 700 Federal Laboratories. Although this review will be completed in April, do you have any observations you would like to make about the future role of the Federal Laboratories?

Answer: It is clear that many of the Federal laboratories need missions that are better defined and more relevant to national needs. The laboratories' activities should be more focused on those missions and on areas of R&D where the laboratories have technical strength. Also, the Federal laboratories need more collaboration with universities and industry.

SUPPLY OF ACADEMIC SCIENTISTS

Question: Last year, at our hearing, you agreed with me that one of the most serious science problems facing this country is the loss of scientists and engineers from our institutes of higher learning. For instance, the percent of recent doctorates in full-time faculty positions declined from 39% in 1969 to 21% in 1980. You also stated that this is "One of the first or second priority items" for OSTP. You further stated that you were trying to identify the best approaches to addressing this problem. What conclusions have you reached?

Answer: The need to attract more scientists and engineers into college teaching careers is still one of the highest priority items for OSTP. We have worked to increase support of university research in the physical sciences and engineering as one way to produce more scientific and technical personnel. We have initiated, through the National Science Foundation, young faculty awards which are designed to support the research of science and engineering faculty members who are in the first seven years following receipt of their doctorates. We have also encouraged state governments, industry, and particularly the universities themselves to address this problem and its long term implications. Their responses have been very encouraging.

EXPORT CONTROLS

Question: One of the Interagency groups previously chaired by the Director of the Office was responsible for recommending steps to assure compliance of our export control laws. The major task of the group was to reconcile the interest of agencies such as Commerce, DOD and Treasury. What role will OSTP play in U.S. export policy -- expecially as it relates to high technology items?

Answer: OSTP is not normally directly involved in U.S. export policy deliverations, which are primarily the responsibility of the Departments of Commerce, Defense, State, and the National Security Council. We are involved as chairman of a study concerned with the formulation of technology transfer policy in which high technology items receive chief concern.

INTERNATIONAL COOPERATION

Question: During the last several years, the Office has been heavily involved in improving the science and technology cooperation with other countries including China, Japan, Black Africa, Mexico and other Latin American countries. What are your plans in the future for this area?

Answer: International science and technology cooperation will continue to be an important area of activity for this office, both with our Summit partners and developing countries. In seeking expanded and more stable international cooperation, we plan to emphasize areas of mutual benefit, and areas that are central to our interests, in order to ensure stability. Specific areas of activity for these countries are:

CHINA: Since 1979 when China and the United States signed an Agreement on Cooperation in Science and Technology, 18 technical protocols have been agreed to covering a wide spectrum of science and technology activities. I will head a high level delegation to China in May to review progress on these protocols, to discuss and resolve any problems either with the protocols or with the Chinese purchase of U.S. high technology equipment and systems, and to explore new areas of possible cooperation.

JAPAN: We place high priority on continuing our close and successful relationship on S&T with Japan. During my visit to Tokyo in September 1981, we confirmed our good progress in areas of space, nuclear physics, and resource recovery research. We plan to continue active exchanges of information in these and other areas such as health, environmental protection, agricultural research and energy.

AFRICA: We will be continuing to pursue our ongoing S&T cooperation in Africa, particularly in those countries where we have established a close working arrangement such as Zimbabwe, Nigeria, Kenya, and Senegal. Cooperative projects will include health, seismic research, fisheries, measurement systems, agriculture, technical education, and marine research.

BRAZIL: Science and technology cooperation with Brazil is occupying an ever-increasingly important role as evidenced by President Reagan's comments during his recent trip to Brazil where he publicly reaffirmed his interest in strengthening S&T cooperation and proposed that a Brazilian Astronaut train with U.S. astronauts for a joint U.S.-Brazilian mission.

MEXICO: S&T cooperation between the U.S. and Mexico continues to receive high priority status here in the U.S. and we are moving steadily forward in our joint programs. During my visit to Mexico in 1981, we reviewed the excellent progress in our S&T programs and renewed our commitment to carry on joint research in many areas, placing special emphasis on agriculture, energy, meteorology, basic science and remote sensing.

CARIBBEAN AND LATIN AMERICA: In the Caribbean and Latin America, the U.S. is beginning to further develop its cooperative S&T programs with a number of countries, particularly those where the U.S can help strengthen the productive capabilities of the country and share R&D resources to maximize their return on investments. We will be emphasizing the development of indigenous policies and abilities for S&T activities and for applying those activities to the solution of internal problems such as food, energy, natural resources, and health.

MILL TAILINGS

Question: In your review of EPA's standards governing the clean-up of 24 inactive uranium milling sites in the United States, I believe that you suggested improvements including reconsideration of radiation limits and changes in the methodology of risk assessment. What is the current status of the EPA standards and were your recommended changes adopted?

Answer: The EPA standard was issued including an optional design criteria that we suggested which will provide for more flexibility regarding remedial actions at these inactive uranium milling sites. Additionally, EPA called for public comment in the Federal Register on providing even more flexibility for remote mill tailings sites. These changes provide for a more reasonable approach in getting on with the job of clearing up these sites while providing the same health protection.

AERONAUTIC PROGRAM

Question: An OSTP policy review recently compiled addressed the rationale for the future of NASA's aeronautics research and technology programs. What were your major conclusions relative to NASA's role in aeronautics R&D? I see that the Administration's budget contains $300 million for NASA's aeronautics program -- or an increase of 7.3%. Do you believe that this budget level and the composition of the proposed NASA programs reflects the importance you have placed on NASA's aeronautics program?

Answer: The Administration's policy for aeronautical R&T reaffirms the present role and responsibilities of NASA as an independent R&D agency. Specifically, NASA funds, directs and implements aeronautical research and technology development programs and supports military technology demonstration programs. R&T development consists of activities primarily aimed at producing physical understanding, new concepts, design data and validated design procedures for aircraft systems, subsystems and components. These activities range from theoretical analysis to laboratory analysis to flight testing to experimental aircraft. Technology demonstration consists of activities aimed at demonstrating improved subsystem or system characteristics and usually involve testing configurations similar to the intended application.

I believe that the President's 1984 budget properly reflects the importance placed on NASA's aeronautics program. The $300 million budget level represents an increase of 29.3% over the President's 1983 budget level of $232 million during these times of fiscal austerity. This will allow an enrichment of the R&T base activities even with respect to the $280 million level after Congressional additions, and it also includes a major new start, the Numerical Aero-dynamic Simulator, NAS. The NAS, a large computer system, will have a major impact on all aeronautical design methods, improving the capability and accuracy while reducing need for long and expensive wind tunnel and flight testing. It reflects our commitment to maintaining US leadership in aeronautics.

CONTROLS ON SCIENTIFIC PUBLICATIONS

Question: The Reagan Administration has launched a high-level review of ways to control the publication of scientific papers that contain unclassified, but militarily sensitive information. The review, which is being coordinated by OSTP was initiated by a presidential directive issued on December 23. The study was to be completed by March 1. What is the current status of this review and what are your recommendations?

Answer: On February 25, 1983 the President signed a second directive requesting a comprehensive study of all aspects of technology transfer policy and implementation. As a result OSTP in coordination with the NSC decided to delay the completion of the ongoing study on transfer policy/scientific communication. We did this to ensure that a more fully integrated and complete policy study would result. OSTP will continue to study this problem in the larger context of written and oral technology transfer from scientific through engineer data communication. We believe this study will require six to nine months resulting in a completion date near the end of 1983.

MANNED SPACE STATION

Question: You have been quoted on several occasions as being against the NASA concept and proposals for a manned space station. Do you see a need and a role for a manned space station in the National Space Program?

Answer: I would like to take this opportunity to clarify my personal views on this subject and to describe the position I believe the Science Advisor should take toward any potential major, national program such as a manned space station. My personal views are that a program as significant as a Space Station must be tied to three factors:

- assurance that it is the right step for continuation of the nation's space program.
- that our other on-going programs are not adversely effected by a new start of this magnitude, by this I mean the objectives of a fully operational cost-effective Shuttle and continuation of the planetary and sensor developments underway at NASA are obtained.
- that requirements from the civil and national security communities justify the major resource expenditures.

These factors are not different from those held by the NASA management or the members of the "space community." The real difference I believe is that many have entered the space station issue with an a priori view that Space Station is the right answer. This is not surprising or necessarily wrong. NASA has studied this subject extensively over the last 10 years and has developed a large contingent of supporters. I have not been part of those studies but it does not mean that I cannot be convinced of the need for some form of Space Station capabilities if the factors I mentioned above are satisfied.

Concerning my role as the Science Advisor, I should be viewed as a source of independent judgment. I do not have a set of programs to foster or advance. Rather, I must advise and assist the President in sorting national programs to ensure we have a vigorous Space program. Occassionally that places me in direct conflict with agency desires. That is regretable but unavoidable. As far as OSTP is concerned, I have directed my staff to actively participate in the SIG, Space Interagency Working Group, that is studying the Space Station issue. They are scheduled to report their findings in September of this year and I am extremely hopeful that it will provide the basis for an informed decision. As the Science Advisor, I am neither an advocate nor opponent of the Space Station. I intend to study the output of the Interagency Group and all other available data to ensure the decision that is made produces the vigorous Space Program the President wants.

NASA/DOD COOPERATION IN AERONAUTICS

Question: Last November, you recommended that NASA, DOD and industry establish a high level committee to review all aeronautic research and technology. You further stated that if such a committee was currently in operation, it is quite possible that you would not have had to conduct your study of aeronautics. Could you please expand on the importance of such a committee and what, if anything, is being done to establish such a review mechanism?

Answer: The National Advisory Committee for Aeronautics, NACA, played a major role in establishing and maintaining US preeminence in aeronautics. It brought the various government and industry interests together in a productive partnership, providing top level policy coordination and direction, and acting as a focal point for Aeronautical Research and Technology. In the 25 years since the incorporation of NACA in NASA, this policy review mechanism has been increasingly missed. Coordination of NASA and DOD programs at the technical level has been continuous and highly professional. However, the lack of a top-down policy coordination has resulted in somewhat independent preparation, advocacy, review and approval of agency budgets in both the executive and legislative branches. While there is no clear evidence of duplication or lack of relevance, we believe that such top level coordination would be very helpful, expecially if it involves industry in the process.

We have asked NASA and DOD to take the lead to develop a coordinated plan for forming such a high level NASA, DOD and industry committee that would meet at least once a year to review the aeronautical R&T program for consistency with the national policy and to provide broad planning guidance. Submittal of this coordinated plan to OSTP is anticipated by April 1, 1983.

NASA's PLANETARY PROGRAM

Question: Last year at our hearing, you indicated that NASA's Planetary Program needed to be directed towards more cost-effective space exploration missions. Do you believe that modifying the Venus Orbiting Imaging Radar mission to the Venus Radar Mapper represents such a redirection?

Answer: Yes. This is especially true when the radar mapper mission is viewed in the context of NASA proposals for future planetary activities. The NASA program is designed to maintain a stable level of funding to:

- permit better long-range planning and mission phasing
- capture and take advantage of existing hardware and technology in developing planetary missions
- permit more frequent missions to meet scientific requirements.

The Venus Radar Mapper is viewed as the first mission in this approach. We are extremely pleased with the current NASA efforts and direction for the planetary program.

NATIONAL DEFENSE STOCKPILE

Question: You have coordinated a task force to assess the quality of the National Defense Stockpile. What were your major findings and what is the current status of the FEMA contracts to review the stockpile?

Answer: We coordinated a task force meeting with FEMA, GSA, Defense, Commerce, and Interior representatives this past September to ensure that adequate attention was being given to the quality and form issue for the National Defense Stockpile. We reviewed the FEMA contracts that were to be awarded, made sure that all concerned agencies were aware of the needs and proposed actions, and instructed FEMA to move as rapidly as possible on this matter.

Two contracts were awarded by FEMA in September. The first one to the American Society for Metals, a professional society, to assemble an industry task force to assess the quality and form of the cobalt in the stockpile. This assessment has been completed and the final report is being prepared. It is anticipated that as a follow-on, industry participants will conduct pilot scale tests, as a public service, to confirm the methodology for upgrading some of the existing cobalt if needed. In general, the task force concluded that the stockpiled cobalt is useable. For some of the more critical applications, some refining or upgrading may be necessary.

The second contract was awarded to the National Materials Advisory Board, a part of the National Research Council, to assess all the materials in the stockpile which could be a concern in regard to quality and form. A task force of experts from industry and academia was assembled for this purpose, and the first phase has been completed. There has been a recent delay due to funding problems but this is rapidly being resolved. By the time this contract is completed in mid-summer, we will have a better idea of any potential quality and form problems for specific materials that may exist.

NATIONAL SPACE POLICY

Question: In July, the President announced the results of an OSTP led interagency review on a National Space Policy. One of the principles contained in that policy was a determination to rely on the Space Shuttle as the primary means of meeting civil and military space requirements. What role do you see for expendable launch vehicles -- for both government and commercial services?

Answer: Maintaining expendable launch vehicles, ELV, in the US space program is totally consistent with the current national space policy. The policy specifies as a basic goal the expansion of private-sector investment and involvement in space and space-related activites. The National Policy also contains two other relevant principles. The first is that the STS is the primary space launch system for national security and civil government missions and the second is that the US is fully committed to maintaining world leadership in space transportation.

The concept of maintaining ELVs, especially on a commercialized basis, significantly enhances the goals and objectives of private sector expansion and world space transportation leadership of the President's policy. It also does not conflict with using the Shuttle as the government's primary launch vehicle. In fact, commercial ELVs would serve as a back-up capability to critical government missions and permit the US to take maximum advantage of the unique capabilities offered by the Space Shuttle.

NEED FOR ADDITIONAL SPACE ORBITERS

Question: As you are well aware, the Administration and Congress has been grappling with the issue of a fifth orbiter for several years. Given the cost -- about $2.5 billion including facilities -- and the multiyear nature of the funding commitment, it is clearly a decision that must be made by the Administration. Do you believe that the Administration has made a final decision or does the $100 million for spares included in NASA's FY 84 budget buy us more time to decide? You have been quoted as saying that even if one of the four orbiters crashed, we would not need to replace it. The current shuttle manifest projects 24 flights by FY 88 -- this represents an average of six flights per year for each orbiter, including the flights at Vandenberg. Most experts, and our recent experience indicates that a two month turn around per orbiter and a rate of two flights per month with four orbiters is extremely optimistic. It is hard to imagine obtaining the necessary eight flights per year if we only had three operational orbiters. What users -- DOD, NASA, U.S. commercial and foreign -- would likely be "bumped" under a three orbiter scenario?

Answer: The Administration believes that a fifth orbiter is not required now or in the foreseeable future. The projected need for a five-orbiter fleet was based on early forecasts of very high shuttle launch demand of up to 60 flights per year and substantial launch cost savings due to the reusability of the shuttle. Since then, advances in satellite technology have led to fewer, more reliable and highly capable systems. These current systems typically have orbital lifetimes of up to ten years. This has caused a dramatic reduction in the anticipated shuttle demand by all users and contributed to an increase in real shuttle launch costs significantly above initial program estimates. Procurement of an additional orbiter now would result in a substantial space transportation overcapacity and even higher costs of doing U.S. Government and commercial business in space. In addition, on May 16, the President announced a new policy that encourages commercial operation of our current expendable launch vehicle (ELV) fleet. A robust mixed fleet of U.S. commercial ELVs and space shuttles will increase access to space, and limit the need for additional orbiters.

The current official shuttle manifest/mission model projects a constant level of 24 flights per year beginning in FY 88. This represents NASA's most conservative estimate for the flight rate capability of a fully operational four-orbiter fleet, and is not necessarily a true reflection of actual demand.

In the unlikely event of both an irrevocable loss of an orbiter and attainment of the highest expected demand, the National Space Policy and Space Launch Assistance Policy give priority use of the shuttle to national security missions and then to other priority U.S. Government payloads. U.S. commercial ELVs would provide a cost effective backup to the shuttle for other users that might be "bumped" from specific shuttle launches.

TECHNOLOGY POLICY

Question: In his State of the Union Address, the President affirmed that: "This administration is committed to keeping America the technological leader of the world now and into the 21st century." What specific roles do you see for NSF and NASA in maintaining this leadership?

Answer: During this past year, the President issued two important policy statements space and aeronautics, which renewed our commitment to a strong government program in each of these areas. Inherent in both statements is a NASA role to help strengthen the national security and maintain US technological leadership.

The Space Directive recognizes the importance of the Space Shuttle to continued US leadership in space and directs NASA, in cooperation with the Department of Defense, to make the system fully operational and cost effective, and to continue the development and enhancement of the Shuttle's operational capability. In addition, the policy established broad roles and objectives for NASA which included:

- to expand knowledge of the Earth, its environment, the solar system and the universe;
- to develop and promote selected civil applications of space technology;

- to preserve the United States leadership in critical aspects of space science, applications and technology; and

- to further United States domestic and foreign policy objectives.

More specifically, NASA should continue a balanced strategy of research, development, operations, and exploration for science, applications and technology. The key objectives of these programs are to:

- preserve the United States preeminence in critical space activities to enable continued exploitation and exploration of space;

- conduct research and experimentation to expand understanding of:

  - astrophysical phenomena and the origin and evolution of the universe through long-lived astrophysical observation;

  - the Earth, its environment, its dynamic relation with the Sun;

  - the origin and evolution of the solar system through solar, planetary, and lunar sciences and exploration; and

  - the space environment and technology to advance knowledge in the biological sciences;

- continue to explore the requirements, operational concepts, and technology associated with permanent space facilities;

- conduct appropriate research and experimentation in advanced technology and systems to provide a basis for future civil applications;

- provide a climate conducive to expanded private sector investment and involvement in space activities, with due regard to public safety and national security;

- continue cooperation with other nations in international space activities by conducting joint scientific and research programs, consistent with technology transfer policy, that yield sufficient benefits to the United States.

In aeronautics, the President's policy reaffirmed the present roles and responsibilities of NASA as an independent R&D agency. Specifically, NASA funds, directs and implements aeronautical research and technology development programs and supports military technology demonstration programs. R&T development consists of activities primarily aimed at producing physical understanding, new concepts, design data and validated design procedures for aircraft system, subsystems and components. These activities range from theoretical analysis to laboratory analysis to flight testing of experimental aircraft. Technology demonstration consists of activities aimed at demonstrating improved subsystem or system characteristics and usually involve testing configurations similar to the intended application.

The NSF is to continue to provide support for a strong basic research in the physical sciences. The role of NASA is clear from the President's space policy. This policy establishes as a priority item among other basic goals of U.S. space activities, the pursuit of economic and scientific benefits through exploitation of space.

COSTS FOR REIMBURSABLE DETAILEES

Question: How much are you requesting for reimbursable detailees in FY 84? How much do you have budgeted for this purpose in FY 83? How much of the FY 83 funds have been obligated to date? What specific studies do you intend to undertake in FY 83 and FY 84 that will require detailees?

Answer: We have estimated that we will require $536,000 in FY 83 and FY 84. As of March 24, 1983 we have obligated $181,000 for reimbursement requests received at this time.

Detailees assigned to the Office of Science and Technology Policy are brought aboard for general assignment in support of the Office. This gives us maximum flexibility in utilizing their talents to address contingencies as they arise.

PERSONNEL INCREASES

Question: This year you are requesting an increase of four permanent positions, thus increasing the staffing for the Office from 11 to 15 positions. Why do you need another Executive Service position for FY 84? Why are the other three positions required?

Answer: After review of staffing requirements the Office of Science and Technology Policy, in FY 84 we anticipate the need for a Policy Analyst who will be paid at the Senior Executive Level. The remaining three positions will be filled by current OSTP employees serving under temporary appointments.

FY 83 PAY SUPPLEMENTAL

Question: You are requesting an FY 83 pay supplemental of $73,000. How much of the pay raise will you have to absorb? Page 3 of your budget justification shows that you intend to outlay $70,000 out of the pay supplemental during FY 83. Will the remaining $4,000 be outlayed in October 1983?

Answer: We are unable to absorb any amount of the pay raises. In view of Congressional action that the Office of Science and Technology Policy limit the number of non-reimbursable detailees to 50 percent of the total detailees used by the Office during Fiscal Year 1983, we will require the full amount of the pay supplemental. The arrangement of pay periods for federal employees prevents the outlay of the entire amount of $73,000 prior to September 30, 1983. We anticipate that $3,000 will be outlayed during October 1983.

TRAVEL AND TRANSPORTATION

Question: This year, you are requesting $90,000 for travel and transportation -- this is the same as contained in your FY 83 budget plan. How much have you expended during the first two quarters of FY 83 for travel and transportation?

Answer: We have expended/obligated $53,765.30 for the first two quarters of FY 83. It should be noted Dr. Keyworth headed the India-U.S. delegation for the President in the earlier part of the year and hence we expended a large amount of funds during the earlier part of the year. Also, even though we have expended funds for the Acid Rain Peer Panel Reveiw, these monies will be reimbursed to the Office of Science and Technology Policy by the Environmental Protection Agency (EPA).

Question: Please list, for the record, each trip taken in FY 83, the trip purpose, number of travel days, names of persons traveling and trip cost?

Answer: In reply to your question I have divided the trips by category and listed individuals, days and expenditures/obligations. The Office of Science and Technology Policy has utilized five different categories of trips during the first two quarters.

Purpose Category A - Visit to a particular location in order to personally perform operational or managerial activities, e.g., oversee programs, grant operations, or management activities for internal control purposes; carry out an audit, inspection, or repair activity; conduct negotiations; provide instructions; provide technical assistance.

TRAVELER	NUMBER OF TRIPS	NUMBER OF DAYS	EXPENDED/ OBLIGATED
William Ackermann	3	8	2,041.30
Alf Andreassen	1	1	156.00
David Evans	3	8	1,725.82
Thomas Johnson	1	2	188.15
G. A. Keyworth	6	15	4,768.00
Wallace Kornack	1	10	1,143.00
James Leong	1	1	54.60
Minh-Triet Lethi	1	3	392.18
Gene Likens	3	9	1,634.97
James Ling	2	4	601.46
Carol Lynch	1	7	2,902.50

TRAVELER	NUMBER OF TRIPS	NUMBER OF DAYS	EXPENDED/ OBLIGATED
John Marcum	4	35	6,358.00
Nancy Maynard	1	7	2,915.00
William Nierenberg	2	10	764.35
Ruth Patrick	2	5	1,104.52
Thomas Pestorius	1	3	900.00
Douglas Pewitt	3	6	908.18
Denis Prager	1	1	214.00
Kenneth Rahn	2	5	1,266.04
Victor Reis	3	6	1,734.60
John Robertson	4	10	1,896.85
Frank Rowland	2	8	1,819.08
Malvin Ruderman	3	9	1,437.41
Fred Singer	3	11	1,446.00
	Total Category A:		$38,372.51

Purpose Category B - Attend a meeting to discuss general Agency operations, review status reports or discuss topics of general interest.

TRAVELER	NUMBER OF TRIPS	NUMBER OF DAYS	EXPENDED/ OBLIGATED
Alf Andreassen	1	2	827.00
Ronald Frankum	1	2	507.60
Wayne Kay	2	3	510.60
G. A. Keyworth	2	4	405.60
James Leong	1	2	410.00
James Ling	1	3	310.82
John Marcum	3	13	1,087.00
Edward McGaffigan	1	4	370.20
Douglas Pewitt	2	4	790.20
Victor Reis	3	8	707.00
	Total Category B:		$5,926.02

Senator Garn—Continued

Purpose Category C - To make a speech or presentation, deliver a paper, or otherwise take part in a formal program other than a training course.

TRAVELER	NUMBER OF TRIPS	NUMBER OF DAYS	EXPENDED/ OBLIGATED
Bruce Abell	4	6	492.50
Ronald Frankum	3	5	570.62
G. A. Keyworth	5	8	1,011.80
James Ling	2	3	632.50
Louis Montulli	1	3	287.00
Douglas Pewitt	2	4	843.22
Denis Prager	1	2	493.00
Murray Schwartz	1	3	516.88
Trudy Solomon	2	4	570.00
	Total Category C:		$5,417.52

Purpose Category D - To attend a conference, convention, seminar or symposium for purposes of observation or education only with no formal role in the proceedings.

TRAVELER	NUMBER OF TRIPS	NUMBER OF DAYS	EXPENDED/ OBLIGATED
Jerry D. Jennings	1	1	178.00
	Total Category D:		$178.00

Purpose Category E - Local transportation. Includes fares for taxi, bus, subway, etc., and Privately-Owned Vehicle (POV) mileage for official business in the Washington, D.C. metropolitan area.

The Office of Science and Technology Policy has expended/obligated $3,871.25 during the first two quarters of FY 83.

Senator Garn—Continued

FY 83 TRAVEL

CATEGORY	NUMBER OF INDIVIDUALS	NUMBER OF TRIPS	NUMBER OF DAYS	EXPENDED/ OBLIGATED
A	24	54	184	$38,372.51
B	10	17	45	$ 5,926.02
C	9	21	38	$ 5,417.52
D	1	1	1	$ 178.00
Sub-Total	44	93	268	$49,894.05
E				$ 3,871.25
Total	44	93	268	$53,765.30

The following information is provided concerning EPA reimbursement for the Acid Rain Peer Panel:

CATEGORY	NUMBER OF INDIVIDUALS	NUMBER OF TRIPS	NUMBER OF DAYS	EXPENDED/ OBLIGATED
A	11	28	86	$16,036.34

It should be noted that two of the eleven individuals are not a part of Panel but providing support.

OFFICE SPACE

Question: On Page 2 of your justification, you note that the Office will require 13,890 square feet for your 15 employees. This works out to 926 square feet per employee. A review of the average square foot per employee for OMB is 282, for the National Security Council - 428, Office of Policy Development - 412, etc. Why does OSTP require such a large space allotment for its small staff?

Answer: Of the 13,890 square feet classified as space assigned to the Office of Science and Technology Policy, 1,895 square feet consists of secure conference rooms and a secure storage area consisting of a vault and document control room. This leaves 11,995 square feet of actual space to accommodate 51 individuals, 23 FTE and 28 detailees. Of the 11,995 sq. ft., 1,810 sq. ft. is located in the Old Executive Office Building and the remainder located in the New Executive Office Building. The average square footage for the 51 individuals is 235 square feet per individual.

WHITE HOUSE SCIENCE COUNCIL

Question: Please describe the activities and funding of the White House Science Council for FY 83 and FY 84?

Answer: The White House Science Council funding in FY 83 is estimated at $50,000.

The White House Science Council was chartered in February 1982, to advise the Science Advisor to the President on science and technology issues of national concern. This was to be accomplished by having the Council deal with specific issues, as well as keep him informed of changing perspectives in the science and technology communities.

The exchange of information from the science and technology communities is accomplished at the bimonthly meetings of the Science Council with the Science Advisor to the President. Specific science and technology issues are dealt with by subpanels established for a specific issue and comprised of selected Members from the Council and selected Associate Members who have outstanding expertise in that specific issue.

In March 1982, a White House Science Council panel was established to study the National Airspace System Plan to determine the technical feasibility and to make recommendations pertinent to implementation of the Plan. The Panel met for the first time in April, and a final draft report has been completed.

In April 1982, the Science Advisor to the President requested that a special panel of the White House Science Council be established to study various aspects of the current requirements for nuclear weapons materials. This was done, and a classified report was approved by the Council at their May 20 meeting for submission to the Science Advisor to the President.

In May 1982, the Military Technology Panel was established and charged to identify and review mid- and long-term programs that have the prospect of markedly increasing our national security and warfighting capability at both strategic and tactical levels. This panel has prepared a classified final draft report on the first phase a proposed three-phase study.

In June 1982, the Science Advisor to the President requested that the Council conduct a review of the Federal Laboratories' purposes and functions. A special Panel was established to determine appropriate missions and to identify the systematic impediments to the performance of these laboratories. An interim report has been submitted to the Council for comments and approval.

QUESTIONS SUBMITTED BY SENATOR HUDDLESTON

SHIFT FROM DEMONSTRATION TECHNOLOGY

Question: You mentioned in your statement that the Federal role had been shifted from demonstration technology, except for selected areas, such as aeronautics. Do you consider demonstrations appropriate in any other area?

Answer: It is improper for the Federal Government to fund demonstration activities designed to convince industry of the desirability of a product or technology developed by the government, based on speculations that the product or technology may be of interest to industry. However, if the Federal Government is the sole or primary customer, such as in aeronautics or weapons technologies, the Federal Government should support the development and demonstration of prototype systems.

TRAINED SCIENTIFIC AND TECHNICAL PERSONNEL

Question: There is growing concern about the availability to train scientific and technical personnel. What do you see as the most effective means of addressing this problem in the short-term of the next five to ten years? Are there specific items in the FY 1984 budget to address these short-term needs? The longer term?

Answer: The concern about future availability of scientific and technical personnel is caused by a decline in quality and quantity of science and mathematics education in the U.S. This decline has many causes, not all of which can be solved by the Federal Government.

In addition to existing scholarship programs and funds for instruments and equipment, the Administration has proposed several initiatives to improve the qualifications and motivation of precollege science and mathematics teachers and to address the engineering faculty shortage at the college level. We see these initiatives as the most appropriate Federal actions to address training of scientific and technical personnel. They are aimed at to specific sources of the problem where they will have the greatest impact.

The programs proposed by the President are for FY 1983 to FY 1987. It is premature to define a course of action beyond the next five years before we evaluate the effects of the current actions and the conditions in science and mathematics education existing at the time.

TEACHER TRAINING

Question: There has been some discussion of the appropriate division of responsibility between the National Science Foundation and the Department of Education in teacher training. Do you have a position on this?

Answer: The division of responsibility in teacher training between the National Science Foundation and the Department of Education should reflect the difference in statutory authority and capability between the two agencies.

NSF has a small staff with scientific and technical background and a close knowledge of the scientific community. It has a strong tradition of funding projects based on merit.

Department of Education has a much larger staff but less specific technical and scientific expertise and less involvement with the scientific community. It has a broad mandate in education, and a wide relationship with state and local educational agencies. The Department of Education must take into account social criteria in its choice of activities.

UPGRADING EDUCATIONAL OPPORTUNITIES

Question: If we want to expand and upgrade educational opportunities in the mathematics and science areas--and if we want to see real progress in the next several years--what would you suggest as the best approach?

Answer: To see real progress in the next several years, we must immediately address those factors that are the primary obstacles to a high quality science and mathematics education. The Administration believes that the principal obstacle is the declining quality of precollege science and mathematics teachers. Actions to stop and reverse this trend would expand and upgrade educational opportunities in mathematics and science.

RESEARCH AWARDS

Question: In your statement, you indicate that there will be a new emphasis on research in our academic institutions. In pursuing this, will an effort be made to insure that research projects at small and medium sized institutions, as well as those in the large, prestigious ones, are supported?

Answer: My office is encouraging allocation of a greater share of research funding to academic institutions. In addition to budget actions, we are urging the removal of research contracting procedures that discriminate against outside research institutions in favor of government intramural research. However the criteria for funding that must be applied to all research institutions--be they government, industry or universities; be they small or large--are the quality and relevance of the proposed research to national needs, and the appropriateness for Federal support.

In addition, there are existing programs designed to encourage universities and colleges which have not been active in research to participate in it. Those institutions of small or medium size that have this characteristic would benefit from these programs.

COUNCIL ON ENVIRONMENTAL QUALITY

STATEMENT OF A. ALAN HILL, CHAIRMAN

ACCOMPANIED BY:
ERNIE MINOR, COUNCIL MEMBER
NANCY MALOLEY, COUNCIL MEMBER
DINAH BEAR, GENERAL COUNSEL
THOMAS J. DELANEY, ADMINISTRATIVE OFFICER

OPENING REMARKS

Senator GARN. The Council on Environmental Quality was established by the National Environmental Policy Act of 1969 (NEPA) and the Environmental Quality Improvement Act of 1970 and is located in the Executive Office of the President.

The Council's principal responsibility is to provide the President and the Congress with timely and authoritative advice on key environmental policy issues. While providing direct advice, staff support, and technical expertise to the President, the Council is also responsible for monitoring other Federal agencies' implementation of NEPA. Finally, CEQ, through studies, analyses, and testimony, also responds to congressional requests for information on and assessments of environmental issues and programs.

BUDGET REQUEST

You are requesting $913,000 and 13 permanent positions. This represents a decrease of $13,000 below your fiscal year 1983 level. If you please, summarize your statement. We will be happy to include the entire statement in the record. We are happy to have each of you here today. If you would like to, go ahead.

INTRODUCTION OF ASSOCIATES

Mr. HILL. Thank you, Mr. Chairman. I am very pleased to appear before you today to discuss the 1984 appropriations request for the Council on Environmental Quality. I would like to introduce to you the other members of the Council. On my right, Ernie Minor and Nancy Maloley; on my left is our General Counsel, Dinah Bear, and our Administrative Officer, Thomas J. Delaney. They are available to assist me in responding to any of your questions.

The President's appropriation request for the Council for fiscal year 1984 is $913,000 which is a very slight reduction from our request for fiscal year 1983. I am confident that the Council can continue to perform its major responsibilities and to contribute to a better understanding of our environment with this level of funding.

I would like to take this opportunity to summarize for you how the Council plans to carry out our functions during 1984.

SUMMARY OF STATEMENT

I have expanded the scope of responsibility and involvement of each member in all aspects of the Council's program functions. For example, member Minor has assumed direct responsibility for preparation and publication of the annual report, and member Maloley has responsibility for developing guidance on the acid precipitation issue.

In addition, the Council will achieve these goals in 1984 through a variety of mechanisms, including direct member and staff analysis, the use of private contractors with extramural funds, and the use of nonreimbursable detailees from agencies with expertise in areas under study.

The funds are supplemented by other agencies through CEQ's working fund. In the past, this fund has combined the resources of other agencies to enable us to work on such issues as acid precipitation, the chemical substances information network, and global environmental issues.

This concludes my brief statement. I would be pleased to entertain any questions which you might have regarding the Council and our work plan for 1984.

Senator GARN. Thank you very much.

NEPA REGULATIONS

The Council's regulations implementing the procedural provisions of NEPA became effective on July 30, 1979. Since this time, the Council has been responsible for insuring that all Federal agencies issue adequate implementing procedures tailoring the NEPA regulations to their specific activities and programs.

You have been asked to help implement a unified NEPA procedure for the Department of Housing and Urban Development, the Veterans Administration, and the Farmers Home Administration for dealing with loan and loan guarantee applications.

What is the status of the Council developing a NEPA procedure for these agencies?

Mr. HILL. Mr. Chairman, we have been involved. The Department of Housing and Urban Development has forwarded to us a document entitled, "Environment Assessment Guide for Housing Projects" and we have that under review at this time.

Our intention is to be of assistance.

Senator GARN. What about the Veterans Administration and the other agencies?

Mr. HILL. We will be working with them.

Senator GARN. But at this point you have not yet?

Mr. HILL. We have completed our review of this document, the housing document. We then will be communicating with all three of the agencies to see about a joint application.

Senator GARN. You have also been asked to help develop and implement NEPA procedures for DOE and other agencies which will be involved in the disposal of nuclear waste. What has been your role in the past in the area of nuclear waste disposal regulations?

Mr. HILL. We checked in our files on that and found nothing in the files going back as far as we could in our in-house records. As to the current legislation and current guidelines, we are working with the Department of Energy on that subject.

Senator GARN. So are you currently developing NEPA procedures for DOE or helping them develop some?

Mr. HILL. Helping DOE, since it is their responsibility.

STUDY OF EMISSIONS TRADING

Senator GARN. In fiscal year 1984 you plan to complete a study on whether the recent EPA air quality management reforms can be applied to water and solid waste management. I understand this study will be built on the work already conducted by NSF, GAO, and the Council of Economic Advisers. What was the scope of the work conducted by these agencies?

Mr. HILL. It has been on varying subjects regarding the question of emissions trading. We feel at this time that it is important to try to gather together and summarize all the various studies that have been done, not only in those agencies, but at the State government level where a market approach to achieving certain environmental standards has been in place. We feel that it would be a contribution to our level of knowledge to provide a summary. That work is underway.

Senator GARN. Are there discrepancies or conclusions that these agencies came up with? Is it a major task to pull them together? My understanding is you are trying to summarize the work and come up with some recommendations. Are you finding differences of opinion or discrepancies?

Mr. HILL. We have not as yet.

Senator GARN. How will your work differ, then, from what has already been done? You won't be doing anything additional, just trying to analyze and evaluate what they have done?

Mr. HILL. That is part of the effort, and also the published document is then available to other decisionmakers with regard to these various techniques.

GLOBAL ISSUES WORKING GROUP

Senator GARN. In 1982 you formed an interagency global issues working group to assist in the development of policy recommendations on global environmental issues. This group is responsible for assessing the capability of Federal agencies to gather and assess environmental data. What other agencies are members of this working group?

Mr. HILL. The other agencies are the Office of Management and Budget, Council of Economic Advisers, National Security Council, Office of Policy Development, Departments of Agriculture, Energy, Defense, Justice, Interior, and State, the National Oceanographic and Atmospheric Administration, the Department of Commerce, OST, EPA, AID, and the Federal Emergency Management Administration.

Senator GARN. They can't manage themselves, let alone [laughter] all getting together.

I am sorry I asked the question. [Laughter.]

Do they have an agenda for 1983?

Mr. HILL. We don't get into the entire management of FEMA. Our Working Group over the last year has completed a survey of United States-international involvements in environmental questions. This goes to all our commitments, both bilateral and multilateral, and has been available from the Council.

We have also commissioned and received studies on the use of global data. Our most recent activity has been the development of a survey as to how the various participating agencies in our Global Issues Working Group gather and use certain data on global environmental questions—basically, resources, population, and environment.

The responses came in last December on the order of approximately 2,500 pages. We have a consultant now developing a brief 100-page summary of those 2,500 pages so that we can examine ways to improve the Government's ability to use this data.

OFFICIAL REPRESENTATION EXPENSES

Senator GARN. I almost hesitate to ask the next question after my remarks about the Appropriations Committee rounding off to the nearest $50 million, which is a fact, unfortunately.

You are again requesting $500 for official reception and representation expenses. I would like to ask you to provide responses to several questions related to these expenses for fiscal years 1982 and 1983 for the record.

Mr. HILL. Mr. Chairman, we would be happy to provide this information.

[The following questions were not asked at the hearing but were submitted for response for the record:]

OFFICIAL RECEPTION AND REPRESENTATION EXPENSES

Question. You are again requesting $500 for official reception and representation expenses. As you may know, several other agencies such as FEMA, CPSC, and Selective Service, under the jurisdiction of this subcommittee, also have reception and representation expenses limited to $500. All of these agencies are significantly larger than CEQ. Why is it necessary for you to have these expenses kept at the $500 level?

Answer. Congress has set this amount as an appropriate expenditure for entertaining guests from foreign countries.

Question. Please provide for the record a table which shows your expenses for fiscal year 1982 and expenses to date for fiscal year 1983.

Answer. A table showing fiscal year 1982 expenses and fiscal year 1983 expenses through February, follows:

Official reception and representation expenses

Fiscal year 1982 (actual)	$323.11
Fiscal year 1983 (through February 28)	184.83

Senator GARN. The thing that is amazing about that figure is Salt Lake City, as most of you know, is a relatively large city. In the last year I was mayor, which was only 8 years ago, my general fund budget to run the entire city was only a little over $50 million. We ran a city for that amount. To sit on the Appropriations Committee and see it rounded off to the nearest 50 [laughter]—I mean, that provided police, fire, streets, health departments, you know, all the things that go along, fixing chuck holes, sewer, and water. To round off to the nearest $50 million—I still have a hard time coping with those kinds of figures.

In fact, I made a comment on the jobs bill that we passed. A lot of people were staggered by this, by the $5 billion that we spent on that large piece of work. If you want to go out and buy American automobiles at a $10,000 average, you could buy a half a million of them. That is how much $5 billion is; dump them in the ocean if you wanted. Can you imagine how many jobs you would create with hundreds of thousands of automobile workers, steelworkers, rubber workers? It is absolutely staggering, but we prefer to buy coke and real things. I won't get off on that.

INTERNATIONAL CONTACT

In fiscal year 1984 you continue to assist other countries which seek information on the environmental review process and initiate a survey of other nations' environmental assessment processes. Which countries and what type of assistance have you provided to other countries during the last two years?

Mr. HILL. I will be happy to provide a detailed list for the record.

SUBMITTED QUESTIONS

Senator GARN. Why don't you just let me ask some followup questions, and you can provide the information for the record in addition to that question: In what countries do you intend to conduct the survey? What type of survey format do you intend to follow? How many staff will be assigned to the project, and will you receive assistance from other agencies?

Mr. HILL. We will be happy to provide that information.

[The following questions were not asked at the hearing but were submitted for response for the record:]

INTERNATIONAL CONTACT

Question. In fiscal year 1984, you will continue to assist other countries which seek information and advice on the environmental review process as well as initiate an organized survey of other nations' environmental assessment processes. Which countries and what type of assistance have you provided to other countries during the last 2 years?

Answer. Since May 1981, the Council has had several opportunities to provide assistance to other countries which are studying environmental assessment procedures. For example, the Director of the Department of Environment and Planning for the New South Wales Government of Australia visited this country for the purpose of studying our NEPA procedures. His activities in Washington, D.C., were coordinated by the Council and included discussions with several environmental review offices as well as with our General Counsel's office. We received representatives from the Governments of South Africa and Turkey, who wished to learn about our process, as well as a consultant to the French Government who was working on environmental assessment procedures. The General Counsel of CEQ is the Cochairman of the environmental impact assessment project under the United States-Japan Bilateral Environment Agreement and, in this respect, has had many occasions to meet with the Second Secretary for the

Environment from the Embassy of Japan, and to meet with other officials of the Environment Agency of Japan. We have also had requests from the Governments of Canada, Israel, and Italy for information and analysis pertaining to the National Environmental Policy Act.

Question. What type of survey format do you intend to follow?

Answer. The survey referred to in our budget estimate covers all countries. As contemplated at this time, the survey would be a factual document reflecting the status of environmental assessment procedures, including information about the legal authority for such procedures and how the process has or is being implemented in all countries.

Question. How many staff will be assigned to this project and will you receive assistance from other agencies?

Answer. The initial work would be done by either a detailee from another agency, a legal intern, or possibly by contract. Oversight and editing responsibilities would be the responsibility of the General Counsel.

CHEMICAL SUBSTANCES INFORMATION NETWORK

Senator GARN. In fiscal year 1984 you intend to complete work on the Chemical Substances Information Network (CSIN). This program is designed as a means of providing information to administrators, engineers, and scientists on the development, production, use, and regulation of chemicals.

Would you explain in some more detail the purpose of this program?

Mr. HILL. Yes, Mr. Chairman.

Most simply put, the CSIN technology translates computer languages so that an individual can retrieve information at current level from more than 400 different sources of information, libraries, indexes, abstracts, and so forth on the subject of chemical substances.

Without CSIN, the individual who is doing the research would have to have manuals for all 400 of those systems to indicate what computer language that system operates on, how you get access to it, what the entry codes are, and so forth.

The CSIN technology takes care of that, so that an individual who is a participant, or an agency that is participating, in CSIN can ask questions in the language their data system uses.

The technology translates that for whatever library or information source is being used or is being queried without going through the problems of translations through other languages and without interrupting the agency which houses that particular information source.

We got into this through the Interagency Toxic Substances Data Committee. The Government has had a role to try to develop access to these various sources of information. We want to complete the development of the system. At the time that the task is completed, we feel that it would be best to transfer CSIN to the private sector to be operated on a user fee basis. We also feel it is fair to ask the private sector to compensate the Government for its investment over the period of development here.

That decision is out of our hands. We would not be involved in the actual transfer to the private sector, but those that I have talked with will be handling that. I have talked about sale to the highest bidder and so forth. We have a multitude of users. I would be happy to provide you with a list of the user agencies in the Federal Government.

We have entities in the private sector, as well, that use this system currently. I have seen a demonstration. There is a terminal over in Rosslyn, and it's amazing what can be developed in a very brief time. I took my science adviser with me, and he estimated that what is done in 20 minutes through using the CSIN system, querying libraries in two places in the west coast and two places in the east coast, would have taken him approximately 60 hours to do by hand.

Senator GARN. Have any businesses expressed interest in taking over the system?

Mr. HILL. No, because it's not through the developmental phase. When the Government is asking for participation of other levels of government or other Government agencies, the answers come more promptly.

Senator GARN. I understand you would like to transfer it by fiscal 1984. Will the phase be far enough along so you can reach that point?

Mr. HILL. Yes, sir, by the end of September 1984, so we are talking about the beginning of fiscal year 1985—September 1984.

SUBMITTED QUESTIONS

Senator GARN. I think I will just submit the rest of the questions that I had to you for your response in the record. Unless any of you have any other comments you would like to make, I have no additional oral questions at this time.

Don't look so happy. [Laughter.]

Thank you very much.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR GARN

Printing and Reproduction

Question: You are requesting $20,000 for printing and reproduction activities in FY 84. This is a decrease of $8,000 from your current FY 83 level. How do you intend to reduce printing and reproduction costs in FY 84?

Answer: The reduction in FY 1984 printing and reproduction costs is due to increased efficiency in producing the Annual Report. The best estimates as to its costs are approximately $17,000.00. This being the case, we project an FY 1984 printing and reproduction cost of $20,000.00.

Travel

Question: In FY 84, you are requesting $26,000 or $3,000 more than your current FY 83 level for travel. At the same time, you are proposing to decrease the number of FTE from 15 in FY 83 to 13 in FY 84. Given this decrease in personnel, what is the justification for an increase in travel?

Answer: The increase in travel of $3,000 from FY 1983 to FY 1984 is due to the Council's gaining the last of its three Members, Ms. Nancy Maloley, plus our experience to date in this fiscal year. We do anticipate some international travel during FY 1984, such as a possible trip to Nairobi to attend the United Nations Environment Program Governing Council Session.

Queston: Please provide for the record, the number and costs of the trips which CEQ Members and staff took during the last year.

Answer: During FY 1982, the Council Members and staff took a total of twenty-nine trips, at a cost of $9,806.00.

Standard Level User Charges

Question: In your original FY 83 budget, you requested $130,000.00 for standard level user charges. This represented a $18,000.00 increase over your FY 82 level. One reason for this proposed FY 83 increase was GSA's proposed increase lease charge for space. As you know, Section 108 of the Continuing Resolution (P.L. 97-377) provided that no agency shall pay GSA a higher rate per square foot than the FY 82 rate. In calculating your FY 83 request for these user charges, how much was included for the expected GSA increase?

Answer: In calculating our FY 1983 request, which was submitted in September, 1981, the $18,000.00 was totally for the standard level users charge (SLUC) increase.

Question: Are these funds, which are now in excess of your actual requirements, being used for other purposes -- or will they be used to offset your requirements for an FY 83 pay supplemental?

Answer: Due to the provisions of the Continuing Resolution (P.L. 97-377) the $18,000.00 of this fiscal year's SLUC funds is excess to the SLUC costs of FY 1983. These funds are being applied to offset both the GS and the Executive Level pay increases which took effect in October and December of this fiscal year respectively.

Annual Report

Question: The 1982 Annual Report will be published next month. The Report will encompass the overall state of the environment and will include a special explanation and analysis regarding air quality. Why have you decided to include this special analysis in this year's Report?

Answer: In earlier CEQ annual reports and, in particular, last year the discussion on air quality in urban areas elicited considerable interest, discussion and in some cases misinterpretation. Thus, the Council felt it would be useful to provide a greater amount of detail on urban air quality in the 1982 Annual Report.

Question: Excluding the copies of the Annual Report provided to Congress, how many copies were distributed last year?

Answer: We had 5,000 copies printed for our distribution. We distributed 4,100, excluding copies provided to Congress.

Question: What is the cost of purchasing this report from GPO?

Answer: $6.50.

Question: How much have you requested for this Report in your FY 84 budget?

Answer: We project expenses of approximately $250,000 for the 1984 Annual Report.

Environmental Monitoring

Question: Under the Environmental Quality Improvement Act, CEQ is authorized to review the adequacy of existing systems which monitor and predict environmental changes. In FY 84, you are proposing to allocate a total of $318,000 and 4.5 workyears for environmental monitoring activities. This represents a decrease of $143,000 and three workyears from your current FY 83 level.

On page 11 of your justification, you state that the proposed decrease is due to an increase of other agencies' resources in the development of your Annual Report and an increase in the use of the private sector for certain environmental-related projects.

Please provide a table comparing the resources contributed by other agencies toward the Annual Report in FY 82 and your estimates for FY 83 and FY 84.

Senator Garn—Continued

Answer:

Council on Environmental Quality

Nonreimbursible detailees Personyears
applied to the Annual Report

FY 82 actual	Fy 83 estimate	FY 84 estimate
7	9	11

Question: What projects do you anticipate the private sector undertaking in FY 84?

Answer: The Council anticipates utilizing private contractors to provide computer generated statistical data on air and water quality.

Question: What are the government-wide totals for FY 82, FY 83, and FY 84 in the environmental monitoring area?

Answer: Determining the extent of government-wide "environmental monitoring" is extremely difficult due to the variables in defining the term which different agencies may apply. For example, monitoring can be performed for emergency situations, for regulatory pruposes, or for research and development efforts. In the time constraints provided to us, we have not obtained accurate, government-wide figures. We have attached a table from our 1981 Annual Report (Federal Expenditures for Environmental Programs) which shows government-wide expenditures for the years 1973-1981, and have highlighted those activities which would include environmental monitoring. These figures are not definitive numbers in response to your questions, but may provide an indication of the levels of spending.

FEDERAL EXPENDITURES FOR ENVIRONMENTAL PROGRAMS, 1973-81

(million dollars)

Activity	1973	1974	1975	1976	1977	1978	1979	1980	1981[1]
Total	3,701	4,909	6,995	7,481	9,212	10,777	11,982	12,757	12,855
Annual percent change	*28.9*[2]	*12.6*	*22.1*	*24.8*	*23.1*	*17.0*	*11.2*	*6.5*	*0.8*
Pollution abatement and control	1,925	2,074	3,571	4,536	6,829	6,034	6,945	7,632	7,723
Percent to Environmental Protection Agency	*57.8*	*68.3*	*70.8*	*91.2*	*74.9*	*68.6*	*69.1*	*73.4*	*71.8*
Aid to State and local governments	908	1,067	2,109	2,769	3,967	3,972	4,769	5,177	5,028
Research and development	409	414	570	683	786	836	795	782	869
Standard setting and enforcement	215[3]	304	369	394	426	524	537	791	917
Reduction of pollution from Federal facilities	174	301	334	478	457	431	550	471	510
Other	139	88	109	211	192	171	294	411	399
Protection and enhancement[4]	820	870	1,128	1,294	1,498	2,688	2,614	2,749	2,651
Aid to State and local governments	248	333	403	392	426	847	856	891	877
City recreation	69	93	110	98	205	425	338	335	345
Noncity general recreation	84	121	161	142	146	158	196	128	130
Sport fish and wildlife	86	68	90	85	7	121	108	115	113
Historic preservation and rehabilitation	9	11	11	14	47	39	45	84	92
Direct Federal activities[4]	571	537	725	902	1,073	1,841	1,758	1,858	1,774
Noncity general recreation	172	128	189	264	325	372	449	468	488
Preservation and protection[5]	155	151	164	245	301	647	387	434	397
Sport fish and wildlife	110	62	128	160	163	438	286	368	354
City recreation	46	108	145	139	113	132	196	212	204
Historic preservation and rehabilitation	53	41	60	39	73	63	133	112	111
Understanding, describing, and predicting[3]	956	1,065	1,296	1,651	1,885	2,155	2,423	2,376	2,481
Observe and predict weather, ocean conditions, etc.[6]	452	484	595	661	709	744	757	854	913
Locate and describe natural resources	250	260	351	423	400	602	661	650	665
Research on environmental impact on people	66	96	57	227	261	296	303	337	351
Ecological and other basic environmental research	66	89	125	169	296	242	286	228	237
Physical environmental surveys	103	115	146	155	199	197	214	281	292

Data are for fiscal years 1973 through 1976 ending on June 30 and fiscal years 1977 through 1981 ending on September 30.

[1] 1981 data are based on January 1981 budget estimates.

[2] Refers to percent change from 1972.

[3] Includes funds for planning, monitoring and surveillance, and technical assistance.

[4] Includes activities not shown separately.

[5] Includes unique natural areas and endangered species.

[6] Includes earthquakes and other disturbances.

Source: U.S. Office of Management and Budget, *Special Analyses, Budget of the United States Government*, annual, and unpublished data.

Senator Garn—Continued

If more detailed information is desired from the Council, it would be helpful to have a more precise definition of what activities you wish to include in "environmental monitoring".

Salaries

Question: In FY 84, you are proposing to decrease the number of FTE from 15 to 13. However, the Budget Appendix shows that the average salary will increase for $38,621 to $39,258. Please explain this increase.

Answer: The salary increase from FY 1983 to FY 1984 is due to periodic step increase and proposed promotions.

Queston: Please provide a salary schedule of your positions for FY 82, 83 and 84.

Answer: A salary schedule of the Council's positions follows:

Council on Environmental Quality

Salary Schedules
(Projections as of 3/21/83)

	FY 1982 actual 9/30	FY 1983 estimated	FY 1984 estimated
Chairman	$60,662	$69,800	$69,800
Member	58,500	67,200	67,200
Member	58,500	67,200	67,200
Ungraded	52,909	52,909	52,909
Ungraded	52,909	52,909	52,909
Ungraded	42,012	42,653	42,653
Ungraded	30,129	50,171	50,171
Ungraded	-----	31,332	31,332
Ungraded	-----	31,071	31,071
GS-15	52,909	55,025	-----
GS-14	42,335	45,405	46,781
GS-13	33,586	36,094	37,258
GS-12	----	31,332	32,311
GS-11	28,282	----	----
GS-10	27,884	----	----
GS-9	19,447	20,931	21,606

Report on Environmental Trends

Question: During FY 84, you plan to update a report published in 1981 on environmental trends. What do you anticipate will be the cost of updating this report?

Answer: The Council estimates that when all publication and asociated manpower costs in all of the participating agencies are considered, the total costs will be approximately $250,000.00.

Question: Will other agencies participate in the updating of this report?

Answer: Yes. As in the case of the 1981 Environmental Trends Report, CEQ expects again to ask for the cosponsorship of the USGS and the Fish and Wildlife Service of the U.S. Department of the Interior, the U.S. Environmental Protection Agency and the Man and the Biosphere Program of the U.S. Department of State.

Question: You state in your justification that you anticipate updating and republishing the report at five year intervals. Why is it necessary to update the report in FY 84, when the report was just updated in FY 81?

Answer: The FY 1981 report represented a compendium of environmental data which had begun to be gathered in 1978-79. The Council feels that five years is a useful interval for examining the types of data summarized in the Environmental Trends Report in order to identify changing environmental trends. The 1984 date is when the project will be initiated with an anticipated publication time of 1986.

Acid Rain

Question: The Council currently houses the Interagency Task force on Acid Rain Precipitation and participation on the Task Force as the Executive Secretary. Beginning in FY 83, you have been directed by the White House to directly manage and supervise the activities of the Task Force and staff and to provide overall policy coordination on the acid rain issue. What has been CEQ's involvement in this issue during the last two years?

Answer: During the past two years, the Council has housed the Interagency Task Force on Acid Precipitation at CEQ, and participated as Executive Secretary of the Task Force. Additionally, Council Members testified in Congress regarding the acid precipitation issue, met with various environmental groups and public interest groups regarding the issue, and made recommendations to the Administration about acid precipitation. We also reviewed the activities of the working groups which are part of the negotiating team with Canada, and participated in one of the working group meetings in Canada.

Question: Will your new role change the scope of the Task Force's activities on the acid rain issue?

Answer: Our new role is to directly manage and supervise the activities of the Task Force and to provide overall policy coordination on this issue for the Administration. In this regard, we hope to improve the efficiency and productivity of the research effort and the communication between the Task Force and decisionmakers in both the executive and legislative branches of government. We do not intend to influence in any way the scientific answers being developed by the Task Force.

Question: What will be your total obligations for this issue in FY 83?

Answer: The Acid Precipitation Task Force has a total of $22,276,000.00 for FY 1983.

Question: How much do you intend to obligate in FY 1984?

Answer: $27,568,000.00 has been requested for the Task Force in FY 1984.

Question: What are the government-wide funding totals for FY 82, FY 83 and FY 84 for acid rain programs?

Answer: The government-wide funding totals for acid rain programs are $18.2 million for FY 1982, 22.3 million for FY 1983, and $27.6 million for FY 1984.

Pollution Standard Index

Question: In FY 82, you co-sponsored a study on how and with what accuracy the major U.S. urban centers are utilized and reporting the pollution standard index. What were the findings of this study?

Answer: The study referred to was initiated in September, near the end of FY 1982. The study is only just now nearing completion and the contractor's report has not yet been submitted to CEQ. We will be happy to provide the Committee with the results as soon as they are available.

Question: What other agencies participated in the study?

Answer: The U.S. Environmental Protection Agency's Office of Research and Development.

Question: To what extent has this data from this study been utilized to improve air quality standards?

Answer: Since the study is not yet complete, it has not yet been utilized in any fashion.

QUESTIONS SUBMITTED BY SENATOR HUDDLESTON

NEPA Regulations

Question: You note that you have identified "several areas" of the NEPA regulations which appear to require clarification or interpretation. What are these areas?

Answer: The areas which appear to require clarification are: Scoping (40 C.F.R. 1501.7); Alternatives (40 C.F.R. 1502.14), particularly with respect to licensing and permitting situations; Adoption Procedures (40 C.F.R. 1506.3); Contracting Provisions (40 C.F.R. 1506.5(c)); and, Categorical Exclusions (40 C.F.R. 1507.3).

Detailees From Other Agencies

Question: How many detailees are you utilizing in FY 83?

Answer: To date in FY 83 we have utilized seven detailees.

Question: What agencies are they from?

Answer: They have come from the Environmental Protection Agency, United States Geological Survey, Department of the Interior, and the Food and Drug Administration.

Question: What is the average length of time for keeping a detailee at CEQ?

Answer: The average length of time a detailee was at the Council last fiscal year was 3.7 months.

Question: How many and from which agencies do you expect to have detailees in fiscal 1984?

Answer: During FY 84, we project approximately nine detailees, again from the agencies mentioned plus the Corps of Engineers.

Annual Report

Question: How many copies of the Annual Report were published in FY 84 and FY 83?

Answer: In FY 82 the Council ordered and distributed 5,000 copies of the Annual Report. An additional 8,000 were printed by the Government Printing Office, (GPO), for public sale. The Council again plans to order 5,000 copies in FY 83. The amount over and above that the GPO may choose to print for public sale is unknown at this time.

Question: How many do you plan to publish in FY 84?

Answer: The Council plans to again publish 5,000 in FY 84.

Question: At what cost?

Answer: The cost of the FY 84 Annual Report cannot be projected at this time due to the cost of graphics and differences in various printing methods. We estimate $17,000.00 for the printing costs in FY 84.

Question: How are these distributed?

Answer: The Annual Report is hand delivered to the Legislative Branch and to local Government Agencies. The remainder are mailed.

Question: How many staff years or staff time is devoted to the Annual Report?

Answer: We project a total of 4.5 staff years for the FY Annual Report.

Contracts

Question: How many contracts did you have with private contractors during FY 82 and FY 83 -- what were the contracts for and what was the amount of each?

Answer: A list of contracts and contract amendments for FY 82 and FY 83 follows:

CEQ FY 82 CONTRACTS

WQ2Y01:	Provide Minutes, Agenda and Annual Reports for the Interagency Toxic Substances Committee for its Various Subcommittees. Contractor: L. Miranda and Associates, Inc.	$17,850.
WQ2Y02:	Coordinate the Review, Analyses, Update and Refinement of Major Conclusions of the Global 2000 Report and Assist in the Preparation of a Report of the Findings. Contractor: Catherine G. Kennard	$49,000.
WQ2Y06:	Provide Coordination and Assistance in the Final Review, Production and Distribution of the 13th Annual Report to the Council. Contractor: William Quinby	$10,000.
WQ2Y11:	Continue Activities Relevant to the Support of Operations, Maintenance, and Enhancement of the Technical Framework of the Chemical Substances Information Network (CSIN). Contractor: Computer Corporation of America	$721,000.

FY 82 AMENDMENTS TO 1982 CONTRACTS

WQ2Y06:	Amendment No. 1 Assist in the preliminary development of a joint CEQ-CEA project on economics and the environment. Contractor: William Quinby	$4,500.
WQ2Y06:	Amendment No. 2 Production of the pollutant standards index for Standard Metropolitan Statistical Areas (SMSAs). Contractor: William Quinby	$3,000.

FY 82 AMENDMENTS TO 1981 CONTRACTS

WQ1Y03:	Amendment No. 4 To increase the level of effort of the Modeling Application Library. Contractor: Sigma Data Services Corp.	$59,000.
WQ1Y03:	Amendment No. 5 To provide the National Institute on Aging (NIA) with continued use of UPGRADE to analyze relationships between health and climatic patterns. Contractor: Sigma Data Services Corp.	$4[illegible],000.
WQ1Y06:	Amendment No. 1 Preparation for and follow-up of two major meetings of the United Nations Environment Programme. Contractor: Chaplin B. Barnes	$11,375.

FY 82 AMENDMENTS TO 1980 CONTRACTS

EQ10AC013:	Amendment No. 6 Provide continued support to the Chemical Substances Information Network's (CSIN's) implementation and supporting activities. Contractor: Helen K. Kolbe	$9,170.
EQ10AC025:	Amendment No. 3 Provide in-depth testing of new releases of CSIN and the development and carrying out of additional user training workshops. Contractor: Bolt, Beranek and Newman, Inc.	$80,000.
EQ10AC025:	Amendment No. 4 Provide expanded operations of the CSIN User's Service Office. Contractor: Bolt, Beranek and Newman, Inc.	$350,000.

FY 82 AMENDMENTS TO 1978 CONTRACTS

EQ8AC028:	Amendment No. 10 Provide for the continuation of developmental work in order to support the continued prototype development and initial operation, testing, and evaluation of an interagency data system. Contractor: Computer Corporation of America.	$108,349.

FY 83 CONTRACTS

WQ3Y01:	Assist in all stages of producing Annual Report. Contractor: William Quinby.	$21,800.
WQ3Y02:	Draft Introductory Chapter of Both Annual Report and conduct the initial editorial review of Report. Contractor: Thomas L. Super.	$9,800.

FY 83 AMENDMENTS TO CONTRACTS

EQ2C01:	Amendment No. 1 Provide coordination for the review and the preparation of the summary of the Federal Agency Questionnaires on Environmental Issues. Contractor: Catherine Kennard.	$12,250.
EQ3C02:	Amendment No. 1 Addition of four new tasks. Contractor: Thomas L. Super.	$10,000.
EQ2C05:	Amendment No. 1 Continue ongoing activities under existing contract. Contractor: Miranda Associates, Inc.	$28,658.
EQ2C12:	Amendment No. 1 Continue ongoing activities under existing contract. Contractor: Computer Corporation of America.	$162,000.
EQ2C12:	Amendment No. 2 Continue ongoing activities under existing contract. Contractor: Computer Corporation of America.	$108,000.
EQ2C13:	Amendment No. 1 Continue ongoing activities under existing contract. Contractor: Bolt, Beranek & Newman.	$228,000.

EQ2C13: Amendment No. 2 $65,000.

Continue ongoing activities under existing contract. Contractor: Bolt, Beranek & Newman.

Studies

Question: What internal or in-house studies did you undertake in FY 82 and FY 83?

Answer: We conducted a review to determine whether Federal agencies NEPA implementing procedures were effective and what improvements, if any, were needed. We completed the publication Environmental Trends and we developed a set of Global Environmental Principles. We will be publishing a primer on Air Quality Management in Spring, 1983. In-house work is also being initiated on an emission trading study, Clean Air Act legislation and economic analysis, and cost/benefit analysis of acid rain mitigation.

Question: What are your plans for FY 84?

Answer: We will examine suggestions for better management of the NEPA process through coordination of Federal, state and local efforts. We will initiate an organized survey of other nations' environmental assessment processes. We will begin work on updatting the Environmental Trends Report. We will complete and publish the following in-house studies initiated in FY 1983: Emission Trading Study, Clean Air Act Legislation and Economic Analysis, Economic Analysis of Acid Rain, and the Effect of Environmental Regulation on Employment and Income.

Reduction in Personnel

Question: Since 1981, there has been a significant reduction in personnel at CEQ. Has this affected your ability to meet your statutory mandate?

Answer: No, it has not. I have expanded the scope of responsibility and involvement of each of the Council Members. In addition, in areas where the Council requires special expertise for a specific purpose, I utilize non-reimbursable detailees from other government agencies, as well as private contractors.

Question: Were any current CEQ employees working for the Council in 1981?

Answer: Nine present employees were with the Council in 1981.

Clean Air Act, Section 309 Referrals

Question: Section 309 of the Clean Air Act requires the referral to CEQ of certain disputes for mediation or resolution. How many referrals have you had in FY 83?

Answer: We have had one such referral in FY 83. The subject of the referral was the Federal Aviation Administration's (FAA's) Final Environmental Impact Statement for Palmdale International Airport and was referred to us by the Department of Defense (DOD). The FAA has requested, and received -- with the stipulation that they would take no action in the meantime -- an indefinite extension of the deadline for their response to the DOD's referral. The two agencies, FAA and DOD, have formed a team for the purpose of developing a plan which will accommodate the needs of both agencies.

SUBCOMMITTEE RECESS

Senator GARN. The subcommittee will stand in recess until Thursday, April 7, 1983, at 10 a.m., when the Environmental Protection Agency will appear regarding their fiscal year 1984 budget request. We don't know who will be here, but somebody will appear for the EPA. [Laughter.]

Thank you very much.

[Whereupon, at 11 a.m. Thursday, March 24, the subcommittee was recessed to reconvene at 10 a.m. Thursday, April 7.]

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT-INDEPENDENT AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

THURSDAY, MAY 5, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 11 a.m. in room SD–124, Dirksen Senate Office Building, Hon. Jake Garn (chairman) presiding.

Present: Senators Garn, D'Amato, Huddleston, Proxmire, and Leahy.

DEPARTMENT OF THE TREASURY

OFFICE OF REVENUE SHARING

STATEMENT OF MICHAEL F. HILL, DIRECTOR

ACCOMPANIED BY:
- ROBERT W. RAFUSE, JR., DEPUTY ASSISTANT SECRETARY (STATE AND LOCAL FINANCE)
- KENT A. PETERSON, DEPUTY DIRECTOR (ADMINISTRATION AND OPERATIONS), OFFICE OF REVENUE SHARING
- CHARLES V. McFADDEN, DEPUTY ASSISTANT DIRECTOR (FINANCIAL MANAGEMENT)

HEARING PROCEDURE

Senator GARN. The subcommittee will come to order.

Today we have a very complete schedule. Therefore, I would like to spend just a moment to provide a quick overview of our agenda and the operating procedures.

Today we will hear from Treasury, the Office of Revenue Sharing and the New York City Loan Guarantee Program; the Federal Home Loan Bank Board; National Credit Union Administration; and the Environmental Protection Agency.

In order to save time with that busy schedule, I would like to ask the lead witness for each agency to present a short summary of the opening statement. We will put the entire statement in the record. In each case I will try to raise several questions of general interest and then submit a series of more detailed questions for the record.

Each member of the subcommittee will have an opportunity to question the witnesses for 10 minutes before questioning is rotated to another member. If time permits and there are questions remaining, each member will be given a second and third opportunity to question witnesses, if they desire. Hopefully, by 2:30 we will be able to recess the hearing.

OPENING COMMENTS

Title I of the State and Local Fiscal Assistance Act, as amended, provides for the distribution of $4.57 billion in fiscal year 1984 to approximately 39,000 units of local government. This year you are requesting $7,678,000 and 138 permanent positions to cover your salaries and expenses.

If you would like to go ahead now and summarize your statement.

Mr. HILL. Thank you, Mr. Chairman.

PREPARED STATEMENT

I want to thank you for the opportunity to appear today. If you don't mind, I will simply introduce the witnesses and submit my entire statement for the record, and we will proceed with the questions, if that is all right.

Senator GARN. That is just fine. Thank you.

[The statement follows:]

STATEMENT OF MICHAEL F. HILL

Mr. Chairman and members of the Subcommittee, I am pleased to appear before you today to discuss the appropriation request for fiscal year (FY) 1984 of the Treasury Department, Office of Revenue Sharing.

Appearing with me are:

Robert W. Rafuse, Jr., Deputy Assistant Secretary (State and Local Finance)
Kent A. Peterson, Deputy Director for Administration and Operations, Office of Revenue Sharing
Charles V. McFadden, Deputy Assistant Director (Financial Management Division)

In addition, I have with me several key members of the staff of the Office of Revenue Sharing upon whom I may call for information when appropriate.

Program Mission and Responsibilities

The Office of Revenue Sharing, a unit within the Office of the Secretary of the Treasury, was established to administer the Revenue Sharing Program. The program was established by the State and Local Fiscal Assistance Act of 1972 and reauthorized in 1976 and 1980. As you know, the current authorization expires at the end of FY 1983. Accordingly, the appropriation we are requesting for FY 1984 is contingent upon enactment by the Congress in 1983 of legislation that will authorize payments in FY 1984. On April 18, the Treasury Department transmitted to the Congress legislation incorporating the Administration's proposals for a three-year reauthorization of the Program at its current funding level with certain minor changes that would not significantly increase our administrative costs.

The Revenue Sharing Program provides general fiscal assistance, distributed by statutory formulas, to approximately 39,000 general-purpose local governments. During FY 1982 and FY 1983, funds were authorized, but not appropriated, for payments to State governments. The President's budget requests funds only for payments to local governments.

Revenue Sharing funds may be expended by recipient governments for any purposes permissible under their State or local laws, providing that those governments adhere to certain nondiscrimination, audit, and public-participation requirements specified in the legislation.

The resources of the Office of Revenue Sharing are primarily devoted to two major tasks: making payments and ensuring compliance with the nondiscrimination, audit, and public-participation standards of the Revenue Sharing law. The first task involves: obtaining and reviewing the data used in the allocation formulas; computing allocations; making, controlling, and documenting payments; and providing for the collection and control of required forms and information.

The second task involves responding to individuals' complaints as well as judicial and administrative holdings of discrimination, resolution of cases in which public-hearing and notice requirements may not have been met, and ensuring that recipient governments receiving payments of $25,000 or more per year have required audits and that all recipients meet minimum standards of accountability for their Revenue Sharing expenditures.

The Office of Revenue Sharing also conducts a limited program of technical assistance and information to assist recipient governments and the public in understanding their responsibilities and rights under the Act. This activity is likely to be of particular importance during FY 1984 since the reauthorization legislation may modify the current program, and program reauthorization always results in many additional inquiries from recipient governments. Information and assistance concerning the Revenue Sharing Program are also provided to policy-making officials.

Recent Activities

During the past year, we have concentrated our efforts on improving our administration of the Act. We have devoted considerable energies to achieving greater efficiency in our basic support and administrative activities. We have also initiated steps to improve the management information systems that help support our audit and civil rights compliance functions, as well as to enhance the security and cost-effectiveness of the computer systems through which payments are made.

During FY 1982, the Office of Revenue Sharing--at a reduced funding level from that of prior years--continued programs of technical assistance to recipient governments and responded to challenges by these governments to the accuracy of allocation formula data. The latter program is conducted in conjunction with the Bureau of the Census.

During fiscal years 1982 and 1983, the Office also continued its implementation of the audit provisions of the Act. This effort includes: review of State audit agencies and the independent public accountants who conduct audits of recipient governments, reviews of audit reports sent directly to the Office of Revenue Sharing, and the processing of problems of noncompliance reported by auditors. FY 1982 also marked the beginning of our participation in the single-audit program sponsored by the Office of Management and Budget in which local governments meet the Office of Revenue Sharing audit requirements by submission of Circular A-102 audits.

We have also continued to emphasize management initiatives to improve the quality and speed of our processing of discrimination cases and to ensure that existing compliance agreements are monitored. These efforts have led to a further reduction in the backlog of unresolved discrimination cases. During FY 1982 and thus far in FY 1983, over 500 cases have been resolved, leaving a backlog of about 700 cases, as compared with over 1,000 at the end of FY 1981.

Finally, during fiscal years 1982 and 1983, the Office of Revenue Sharing has increased the efficiency with which it processes cases arising from its responsibility to monitor the compliance of recipient governments with the public-participation provisions of the Act. A total of 465 cases involving violations of public-notice and hearing requirements were closed during FY 1982, which is significantly more than the number closed in FY 1981. We hope to increase productivity further, partly through the use of new word-processing equipment, during FY 1983.

Office of Revenue Sharing Salaries and Expenditures

Today we appear before you, Mr. Chairman, to request for FY 1984 $7,678,000 and 138 permanent positions for "Salaries and Expenses." This submission represents a net increase of $811,000 over FY 1983. The number of permanent positions requested is an increase of three over that authorized for FY 1983. Two hundred and eight thousand dollars of the net increase for FY 1984 over FY 1983 is for increases in pay and other costs associated with the maintenance of current levels of activity. Six hundred and three thousand dollars of the net increase is for the implementation and communication to recipient governments of program modifications associated with any reauthorization legislation; for the enhancement of computer operations and management-information systems; and for the improvement of Office performance in other activities mandated by the Revenue Sharing Act.

The three areas of program enhancements just outlined will require funding increases primarily for the following purposes: personnel compensation and benefits for the Intergovernmental Relations and Systems and Operations divisions; travel for the Intergovernmental Relations, Civil Rights, and Audit divisions; postage, telephone, and printing services for the operational and compliance divisions; computer services for the Systems and Operations Division; training for employees; and reimbursable services provided by the Bureau of the Census.

The President's FY 1984 budget calls for $4.6 billion for Revenue Sharing payments to approximately 39,000 units of local government. This budget does not include a request for an appropriation for payments to State governments in FY 1984. As I have noted earlier, this request rests on the assumption that Congress will reauthorize the Revenue Sharing legislation in essentially its current form, as the Administration has proposed. Our request further does not take account of responsbilities that might be assigned to the Office of Revenue Sharing if the Congress were to enact into law the Federalism Initiative of the President.

My colleagues and I would be happy to respond to any questions that you may have.

INTRODUCTORY REMARKS

Mr. HILL. This is Mr. Robert Rafuse, Deputy Assistant Secretary for State and Local Finance. On my immediate right is Mr. Kent Peterson, who is Deputy Director for Administration and Operations of the Office of Revenue Sharing. On my left is Charles McFadden, Deputy Assistant Director of the Financial Management Division of the Office of the Secretary.

In addition, I have with me members of my senior staff. In the event it becomes appropriate, I would like to be able to defer to them to answer questions.

REAUTHORIZATION OF PROGRAM

The only point I would like to make is just a quick summary. I think you are probably aware that the Treasury Department did introduce legislation on April 18 calling for the reauthorization of the revenue sharing program for 3 years.

Our budget request is contingent upon the Congress enacting legislation in 1983 that would authorize the payment of funds in fiscal year 1984.

FISCAL YEAR 1984 REQUEST

Our budget request for fiscal year 1984 is for $7,678,000. This is an $811,000 increase over last year's budget. Of that amount, $208,000 covers pay and other costs associated with maintaining current levels of service and $603,000 is related primarily to those activities required during an implementation year of a renewed program.

We would be happy to answer any questions you might have, Mr. Chairman. I know you are familiar with how the program works.

Senator GARN. Yes. As one of the original lobbyists for revenue sharing, I am familiar with how it works. I was an officer of the National League of Cities when we were first lobbying for the initial enactment of revenue sharing. Then I worked with it as a mayor for several years on the receiving end.

That leads me to my first comment, to thank you for your cooperation and responsiveness to this subcommittee. As small as you are, you have been very cooperative and very forthcoming when we have needed information.

It is interesting that agencies that tend to be 100 times bigger can't answer the simplest of questions. But maybe it isn't amazing. One of the reasons I supported revenue sharing to begin with was to keep the Federal bureaucracy out of it. We felt more than adequate at the local level as elected public officials to be able to handle money.

In my case, I was dealing with a $50 million budget to run a whole city, which doesn't seem too large now when we round off to the nearest $50 million in the Appropriations Committee in the budget process. Nevertheless, we got $3 million. If I could be trusted with $50 million, another $3 million didn't seem to be that big a deal, having to face reelection.

So maybe it proves the point. We have had an extremely successful program and with very little Federal interference in an agency that has been very responsive. It seems like the bigger the agencies get, the more difficult it is for them to answer the simplest of questions. You wonder what those large staffs are doing sometimes. They obviously are not aware of what is going on. I guess the surprise should come, not that you do so well, but that they do so poorly with all of the staff they have running around. So we do appreciate your responsiveness to the committee.

Mr. HILL. Thank you very much, Mr. Chairman.

Senator GARN. On page 1 of your budget justification you state, "The Subcommittee on HUD-Independent Agencies of the House Committee on Appropriations" reviews your budget justification. In the future I would hope that your budget justification would also reflect the Senate committee reviews and has some jurisdiction. [Laughter.]

Mr. HILL. We are very much aware of that. We apologize for the faux pas.

ENTITLEMENT VERSUS RECEIPTS

Senator GARN. In your budget justification you note that revenue-sharing funds now average almost 8 percent of local government tax collections and almost 3 percent of local governments' total budgets. How has this changed since fiscal year 1980?

Mr. HILL. Mr. Chairman, if you don't mind, I would appreciate it if you would let me defer that to Mr. Rafuse.

Senator GARN. Certainly.

Mr. RAFUSE. Mr. Chairman, it is nice to be back again.

In light of the fact that the revenue sharing appropriation for payments to local governments has been constant since 1977, while local government receipts generally are rising from year to year, even during the period of a recession which we have been experiencing, a constant numerator and a rising denominator makes for a declining fraction.

In 1980, revenue sharing represented about 8.3 percent of total local tax collections. In fiscal 1981, it represented about 7.6 percent, demonstrating the downward trend.

On the expenditure side, revenue sharing represented about 3 percent of total local expenditures in 1980 and about 2.7 percent in 1981.

Senator GARN. Thank you.

STATES' FISCAL CONDITION

What is your assessment of the fiscal condition of State and local governments compared with this time last year?

Mr. HILL. Again, Mr. Chairman, I would like Mr. Rafuse to respond to that, with your permission.

Mr. RAFUSE. Mr. Chairman, as compared with last year at this time—after checking the record, I recall observing then that I expected vast improvement by this time—State and local fiscal conditions have deteriorated markedly. This was to have been expected given the persistence of the recession beyond the date that virtually every observer a year ago expected it to continue to persist.

In the national income accounts, which provide the best current measures of the condition of the finances of State and local governments, this deterioration is reflected in the $4.4 billion deficit in the other funds account of those governments in 1982, down from a balance in that account in 1981.

Although the situation today is more precarious for the State and local sector than it was a year ago, the outlook I believe I can honestly say is bright. Federal grants are expected to rise slightly in 1983 in current dollar terms by comparison with roughly a 5-percent decline in 1982. The recovery, which so far seems to be exceeding expectations, will bring rapid gains of revenue to the sector. These should be even larger than they would otherwise have been seen, because of the substantial tax-increasing activity that has been going on in the past year, especially at the State level.

In my comments last year I recall referring to the tax revolt, which hit the State and local sector in 1978, that should have ignited by approval by the voters of proposition 13 in California and followed by subsequent enactment of numerous restrictions on taxes and expenditures in the sector. Our analyses suggest that the revolt is now over. In fact, we may well have entered a period in which State and local governments generally will be increasing taxes.

STATE TAX INCREASES

In the analyses by the staff of the Bureau of Economic Analysis of the Commerce Department which are the people who prepare the national income accounts, they suggest that activity in the sector on this front resulted in us going into 1982 with increases in tax rates that will generate about $2 billion a year more revenue than would have been generated in the absence of those tax increases last year.

In 1983, to date, 26 States have increased taxes. One State has reduced taxes. Those include two increases in taxes in Utah, one in alcohol taxes, and one in the sales tax.

The net effect of these increases so far in 1983 is estimated by the BEA staff to be about $5 billion worth of revenue. For perspective, total tax collections last year were about $144 billion. So there has been pretty close to a 5- to 6-percent increase in State and local taxes in the past calendar year.

On balance, although we don't normally try to forecast the effects of these kinds of developments on the revenue sharing allocation, we understand that a government that increases its taxes does, by doing so, increase its tax effort, which is a variable in the formulas. A State or government is rewarded for increases in the tax effort. Consequently, the States that have increased taxes, local governments that have increased taxes, will in a couple of years, which is the lag in the formula process, realize rising revenue sharing allocations, rising shares of the pot.

That essentially is my response. I think the situation is a bit worse than it was a year ago, but the outlook is bright for the next year, although I cringe coming in and saying the same thing I said last year.

Senator GARN. In Utah you should know that we will increase alcohol taxes whether we need the revenue or not. [Laughter.]

RENEWAL PROPOSALS

What suggestions, if any, would you make in terms of technical changes to the revenue sharing law to improve the administration, compliance, or monitoring of the general revenue sharing program?

Mr. HILL. Again, at the risk of sounding repetitious, Mr. Chairman, I would appreciate it if you would let me have Mr. Rafuse respond to that. He worked very closely on the administration's bill.

Mr. RAFUSE. Mr. Chairman, as Mr. Hill has indicated, the administration's proposals for reauthorization of revenue sharing were submitted in a bill delivered on April 18. This was a bit later than we had hoped, but nonetheless, I can summarize very briefly, because there is only a handful of suggestions that we are making for changes.

I would note that the reason the administration is recommending only a limited number of changes in the program this year is essentially that our proposals for reform of the intergovernmental aid system are largely incorporated in the President's federalism initiative, which was sent to the Congress in the form of four pieces of legislation on February 24. So our proposals for revenue sharing, which is one of the programs that would be affected by the federalism initiatives—specifically, being incorporated in the local block grant proposal—are largely housekeeping proposals.

COMPLIANCE REQUIREMENTS

We are recommending reauthorization for 3 years at the current funding level. We are recommending three or four changes in the compliance requirements that we believe would make them a bit less burdensome on local governments on balance. And we have a number of what I think fairly may be called purely housekeeping technical amendments that are designed to conform the statute with existing practice by the office.

In the area of the compliance requirements, as you know, the current program requires each local government that receives revenue sharing to have two public hearings—one before the budget is submitted to the legislative body and one after the budget has been submitted and before it is adopted with respect to proposals for the appropriation of revenue sharing.

We are recommending that the so-called prebudget hearing be stricken from the act so that each locality would then be required only to have one public hearing.

USE-REPORT REQUIREMENT

Another requirement of the existing act is that a local government is mandated to submit each year a report on its uses of revenue sharing. We have found over the years, and consistently with the criticisms of most technical analysts in this area, that this report does not give us very useful information. Payments generally are incorporated into local budgets as though they were revenue from property taxes, and it is hard to try to earmark a specific dollar of revenue of that sort to a specific expenditure, and generally it doesn't make much sense to try.

So we are recommending that the use-report requirement be repealed. It would save local governments a bit of paperwork and it would save us a bit of receiving of paperwork and microfiching and the whole bit.

AUDIT REQUIREMENT

We are, in the case of the audit requirement, recommending a modest tightening of the requirement, which is generally correlated with the improvements in local government financial practices over the past decade. The requirement enacted in 1976 that currently applies to local governments that receive $25,000 or more a year in revenue sharing payments requires them to engage an independent audit of their entire financial statements and of their compliance with the act at least once every 3 years. We are recommending that the audit be required for every year in which a locality receives $25,000 or more of revenue sharing payments, although we would offer a locality the option of engaging that audit once every 2 years rather than annually.

The logic of this is that we are advised that, in many cases, it is somewhat more economical for the locality to engage a 2-year audit rather than to do it every single year.

Those are the major requirements that we are proposing modification of in the act at this point.

Senator GARN. Thank you very much.

In closing I just can't resist, looking at McFadden's name there. I live with McFadden all the time as chairman of the Banking Committee, day after day. For those of you who don't know, the McFadden Act is the controlling piece of legislation that prohibits interstate banking. There is no hotter subject going on in this country than whether we allow banks to branch across State lines. So nothing personal, but I am terribly sick of McFadden. [Laughter.]

Mr. McFADDEN. I will leave, if you like. [Laughter.]

Senator GARN. I hope that whoever wrote it was not a relative of yours. It is a big issue we are going to have to resolve one of these days in the Banking Committee, sooner or later.

Gentlemen, thank you very much for coming.

Mr. HILL. Thank you, Mr. Chairman.

SUBMITTED QUESTIONS

Senator GARN. Gentlemen, I do have other questions to submit to you for your response in writing. Also, Senator Huddleston and Senator Domenici have some questions.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR GARN

CIVIL RIGHTS CASES

Question: One of the issues raised at last year's hearing was the large backlog of civil rights cases pending investigation and resolution. What is the current number of cases pending and in which area does the case load seem to be growing fastest?

Answer: As of March 1983 there was a total of 734 cases pending investigation and/or resolution. Complaints in the areas of handicap accessibility and services are showing the fastest rate of growth.

Question: You note in your opening statement that you have reduced your backlog to about 700 cases. What goals have you established for processing these cases during the remainder of FY 1983 and during FY 1984?

Answer: We have closed 130 cases as of this date and expect to close another 130 before the end of fiscal year 1983. In fiscal year 1984 we expect to close approximately 260 cases.

SUMMARY OF EMPLOYMENT

Question: Please prepare for the record a table showing the positions by grade for the Office of Revenue Sharing during FY 1982, FY 1983, and FY 1984.

Answer: Authorized Positions

Grade	FY 1982 Actual	FY 1983 Estimate	FY 1984 Estimate
ES-4	2	2	2
ES-2	--	1	1
ES-1	3	2	2
GS/GM-15	7	6	6
GS/GM-14	22	22	22
GS/GM-13	22	20	20
GS-12	21	20	23
GS-11	13	12	12
GS-10	1	1	1
GS-9	15	14	14
GS-8	4	2	2
GS-7	13	13	13
GS-6	8	7	7
GS-5	13	10	10
GS-4	1	1	1
GS-3	1	1	1
GS-2	1	1	1
Total Authorized Positions	147	135	138

MERIT PAY

Question: How much are you requesting this year to provide employees with merit pay as specified in the Civil Service Reform Act?

Answer: The $11,000 increase requested in FY 1984 for merit pay adjustments represents only those amounts that prior to the Civil Service Reform Act would have funded within-grade increases for these employees. It does not include any provisions for the effect of a possible civilian pay raise adjustment in October 1983. Merit Pay employees automatically receive 50% of the comparability adjustment and the other 50% is distributed based on performance. Those funds would also go into the merit pay pool, but would have to be funded through a supplemental appropriation.

For merit pay performance ending June 30, 1982, the merit pay adjustment in October 1982 (FY 1983) including the effect of the pay raise was $61,400.

INDEPENDENT AUDITS

Question: The 1980 Amendments to Revenue Sharing continue the requirement that recipients receiving $25,000 or more annually must have an independent audit of their financial statements at least one every three years. I understand that this requirement applies to approximately 11,000 recipients. What has been your experience since last year in the recent audits?

Answer: Overall, it appears that the quality of audit reports continues to improve in this second round of audits over those of the previous three years, although we have no firm statistics to support this contention. The improvement is attributed to the requirement for the use of generally accepted auditing standards by auditors in performing examinations and preparing reports. There is now some degree of uniformity in the examinations being performed. Also, audit reports are now being reviewed for quality of work and any deficiencies noted are brought to the attention of the auditors. The Comptroller General's report to Congress in 1980 indicated that, based upon his review, the audit requirements of the Revenue Sharing Act were upgrading the audit reports of State and local governments.

Question: What major findings, in terms of audit discrepancies and inaccuracies, have you uncovered?

Answer: The major problems we have encountered relate to the failure by auditors to use generally accepted auditing standards in performing examinations on the records of recipient governments. This results, of course, in audits not being performed in accordance with the audit requirements of the Act. We have no way of determining inaccuracies in numerical amounts which are shown in the various reports; however, only a relatively few (5 or less) instances of fraud involving Revenue Sharing funds have come to our attention since inception of the program.

OMB REQUEST

Question: On page ORS-7 you present a table of your FY 1984 estimates by object classification. Could you please present the same breakdown for your request to OMB?

Answer: OMB Request versus Presidents' Budget Request FY 1984 ($000)

		OMB Request	Presidents' Budget Request	Difference
1100	Personnel Compensation:			
	Permanent Positions	$4,385	$4,385	$ ---
	Positions Other than Permanent	---	---	---
	Other Personnel Compensation.	8	8	---
	Special Personal Services Payments	---	---	---
	Total Personnel Compensation	$4,393	$4,393	---
1200	Personnel Benefits	482	482	---
2100	Travel and Transportation	153	153	---
2200	Transportation of Things	---	---	---
2300	Standard Level User Charges ...	702	702	---
	Other Rents, Communications & Utilities	514	514	---
2400	Printing & Reproduction	192	192	---
2500	Other Services:			
	Non-Federal Services	60	60	---
	Federal Services	1,119	1,119	---
	Sub-total (Other Services).	1,179	1,179	---
2600	Supplies and Materials	58	58	---
3100	Equipment	5	5	---
	Total	7,678	7,678	---
	Authorized Positions	138	138	
	Average Positions	133	133	

PROFESSIONAL TRAINING OPPORTUNITIES

Question: In FY 1984, you are requesting an increase of $35,000 to allow employees in the Office of Revenue Sharing to take advantage of Professional Training Opportunities. Who will conduct these training sessions and how many employees will be trained?

Answer: The Office of Revenue Sharing surveys various sources to obtain the best value for available training dollars. These may include courses offered by the Office of Personnel Management or other Federal Agencies, such as Agriculture and Justice, as well as private organizations. Also, opportunities for Treasury sponsored in-house and self-instruction training have been and will be utilized so that the maximum number of employees can receive some training.

TRAVEL FOR THE LEGAL, CIVIL RIGHTS AND AUDIT DIVISIONS

Question: Your budget justification states that the additional $41,000 in travel funds will allow approximately 90 more civil rights case reviews, 15 more reviews of State Audit Agencies and more on-site technical assistance. Please provide for the record, a total number of these reviews expected in FY 1983 and FY 1984.

Answer: The additional $41,000 in travel funds is being requested to support expected increases in the level of activity for the Audit, Civil Rights and Legal Divisions as follows:

A total of $11,000 is requested to increase the level of audit activity. Approximately 58 reviews are projected for FY 1983 - 15 State Agencies and 43 Independent Public Accountants (IPAs). In FY 1983, we are expecting to perform 43 reviews - 13 State and 30 IPAs. However, in anticipation of the change to an annual frequency in the audit requirement contemplated in the renewed Revenue Sharing Act, the Office expects to participate to a much greater degree in audit workshops and seminars on State and Local government auditing. It is at meetings such as these that we are able to give guidance and direction to the fulfillment of the audit requirements on an acceptable basis. This results in definite economics for the Office in processing reports which have been properly prepared. Travel expenditures for this purpose, assuming changes in the Act, are expected to be more cost effective than individual reviews of State agencies and Independent Public Accountants (IPAs).

A total of $20,000 more is being requested for the Civil Rights Division to perform on-site investigations. The projected number of on-site investigations is 60 for FY 1983 and 120 for FY 1984. The number of trips and investigations per trip is dependent on a number of factors such as location, type and complexity of investigation, and availability of personnel; all of which will be considered in achieving our goals within available resources. Our average travel cost per investigation in FY 1983 is $300.

A total of $10,000 is being requested for the Legal Divison to provide prompt conduct of administrative hearings.

TRAVEL FUNDS

Question: On Page ORS-2 of your budget justification, you note that the second component of the renewal-year activity is $28,000 in travel funds. In describing the need for these funds you make reference to speaking engagements, regional workshops and meetings with major public interest groups. It is difficult, however, to determine the actual basis you used for arriving at this $28,000 travel request level. Could you please provide some additional detail for the record?

Answer: The increase of $28,000 in travel funds requested for the Intergovernmental Relations Division was derived on the basis of two factors (1) the average cost per trip during FY 1981, which was also a year in which a reauthorized program had to be implemented, and (2) the increased number of workshops projected for FY 1984. In FY 1981, 86 workshops were conducted during 46 trips at a total cost of $19,250, an average of $418 per trip, or $224 per workshop. In FY 1984, the Office is projecting a requirement of 100 workshops at $250 per workshop (with inflation) totalling $25,000. The remaining $3,000 is requested for attendance at five annual meetings of major Public Interest Groups.

Because of sustained reductions in travel funds during the past three fiscal years, the number of workshops has decreased significantly, 37 in FY 1982 and 24 estimated in FY 1983. It is important for the Office to participate in meetings and conduct workshops. Experience has shown that attendance reduces compliance problems in all areas of the Act and averts delays in payments to recipients.

LEGAL AND SUPPORT SERVICES

Question: This year you are requesting an increase of $41,000 for your legal and support services. According to your budget justification, the $41,000 will be used for "program increases." Could you please describe the specific program increases?

Answer: The Legal and Support Services activity increases are primarily for printing and postage of the amended Act and revised regulations as follows:

Revised Act (40,000)	$ 7,000
Revised Regulations (40,000)	6,000
Publication of Regulations in Federal Register	18,000
	$31,000
Travel in support of Civil Rights Administrative Hearings	10,000
	$41,000

TRAVEL AND TRANSPORTATION OF PERSONS

Question: Last year you told us that you would require $106,000 for travel and transportation of persons in FY 1983. In your FY 1984 budget justification, you now estimate your requirements in FY 1983 to be $75,000. To what do you attribute this relatively large downward re-estimate?

Answer: The downward re-estimate in travel from $106,000 to $75,000 results from a conscious effort by management to use the best mix of total resources to accomplish the overall mission of the program. With a concentrated effort devoted to eliminating backlogs in the Civil Rights, Audit, and Public Participation compliance cases, it was not possible to commit the personnel or amount of travel funding provided in the original FY 1983 submission to investigate new compliance cases. We, therefore, reduced our Travel budget.

FY 1983 PAY SUPPLEMENTAL

Question: In FY 1983, you are requesting a supplemental of $255,000 for salaries and expenses. If this level of funding was provided by the Congress, how much of your pay supplemental costs would you have to absorb?

Answer: The $255,000 Supplemental request represents 100% of our need to cover the costs of the October 1982 Pay Act, the Lifting of the Pay Cap, and the Medicare Hospital Insurance Tax.

ANALYSIS OF CHANGES FROM THE FY 1983 LEVEL

Question: On page 3 of your budget justification, you list a series of 16 changes from your FY 1983 level. Could you please provide for the record a specific description of the three program changes listed at the top of that table and the $70,000 change associated with increased cost of support services?

Answer: The specific description of the three program changes is contained in the Congressional Submission Budget document on pages ORS 1 through 4. The $70,000 increase for support services is composed of $50,000 (a 10% increase) for data processing costs, $16,000 (a 5% increase) for reimbursable services agreements (in the areas of personnel, finance, accounting, telecommunications and procurement) and $4,000 (a 5% increase) for outside contracts.

AVERAGE POSITIONS

Question: In FY 1983, you had 131 average positions. In FY 1984 you are requesting 133 average positions. Why does the Office need these additional two positions in FY 1984?

Answer: An increase of two employees over the FY 1983 levels is being requested to improve administration of the compliance requirements of the Act. One Computer Systems Analyst is requested to provide capacity for the Systems Division to respond to the exceptional, one-time demands for information processing that are likely to result during the first year of implementing a reauthorized program. A second Program Analyst is required for the Intergovernmental Relations Division to provide technical assistance to over 39,000 recipients. This function is of critical importance during the first year of program renewal.

MONITORING COMPLIANCE WITH PUBLIC PARTICIPATION PROVISIONS OF THE ACT

Question: In your opening statement, you note that a total of 465 cases involving violation of public-notice in hearing requirements were closed during FY 1982. This is a significant increase over the number of cases closed in FY 1981. You further note that through the use of new word processing equipment, you expect to further increase your productivity during FY 1983. What goals has the Office established during FY 1983 and FY 1984 in terms of the number of cases closed and the expected backlog?

Answer: As of April 30, 1983, the Office of Revenue Sharing has closed 461 public participation violation cases. We are projecting a total of 750 closures in both fiscal years 1983 and 1984. We expect that the backlog of cases will continue to grow because of the current rate of incoming complaints stemming principally from audit referrals. We are estimating a backlog of 2,100 cases at the end of FY 1983 and 2,250 at the end of FY 1984, however, should the pre-budget hearing be eliminated from the renewed Act, there may be some decrease in the rate of complaints.

REAUTHORIZATION

Question: FY 1983 represents the last year for which Revenue Sharing funds are authorized under P.L. 96-604. Could you describe the specific provisions of the Administration's bill to extend Revenue Sharing?

Answer: The Administration supports reauthorization of the Program as an element of its general proposals for reform of the federal system. Legislation to implement the Federalism Initiative was transmitted by the President to the Congress on February 24, 1983. The Administration's proposed legislation to reauthorize the Revenue Sharing Program was submitted to the Congress on April 18, 1983.

Duration - The Program would be reauthorized for three years--FY 1984 through FY 1986.

Funding - The entitlement status of payments to local governments would be maintained at the current annual funding of $4.6 billion.

Allocation of Payments - The funds would continue to be allocated by the formulas in the current legislation.

Changes in Compliance Requirements - All governments are currently required to conduct two public hearings on proposed appropriations of Revenue Sharing payments--one before the budget is submitted and one on the budget itself. The requirement for the first hearing would be eliminated.

Jurisdictions receiving payments of $25,000 or more per year currently must engage an audit of their financial statements and compliance with the Revenue Sharing Act at least once every three years. These governments would be required to have an independent audit conducted for every year in which they receive payments of $25,000 or more. However, a jurisdiction would be permitted to elect to have the audit performed every other year.

The current requirement that a government file an annual report on its uses of Revenue Sharing payments in relation to its entire budget would be repealed.

State Governments - Current law makes payments to States subject to normal appropriation procedures and a requirement that, to receive payments, a State would have to forego an equal amount of categorical grant funds it would otherwise have received. This would not be changed.

POTENTIAL IMPACT OF FEDERALISM INITIATIVES

Question: In your opening statement, you note that your request does not take into consideration any additional responsibilities that might be encountered by the Office as a result of the potential enactment of the President's Federalism Initiatives. Could you please describe the current nature of these initiatives relative to General Revenue Sharing?

Answer: The President's Federalism Initiative includes proposals for four new block grants. Legislation to implement these block grants was transmitted to the Congress on February 24, 1983. Two of the block grants--the State Block Grant and the Local Block Grant would be administered by the Treasury Department.

The State Block Grant would consolidate 22 existing grant programs in health, social services, education, and community development. It would be funded at the adopted level of funding for the programs in FY 1984--roughly $11 billion.

The Local Block Grant would be funded at $6.9 billion--the total of the currently authorized annual payments for the two programs that would be included: Revenue Sharing and the entitlement portion of the Community Development Block Grant.

Both block grants would authorize a government eligible for payments under any of the included programs to continue to receive payments under the program or to opt to receive equivalent payments as a block grant. If a government were to elect the option, it would be required to spend 80% of the funds for the general purposes of the existing program in FY 1984, 60% in FY 1985, 40% in FY 1986, and 20% in FY 1987. In the final year for which the block grants would be authorized, a government would be permitted to spend 100% of the block-grant payments for the general purposes of any of the programs included in the block.

As Revenue Sharing payments may, under the current Act, be expended for any purpose legal under State and local law, a decision by a locality to receive those payments under the Local Block Grant would have no practical consequences.

Question: Have you estimated the impact of these Initiatives on the Office in terms of the additional resources required of the Office in FY 1984, in the event these Initiatives were enacted into law?

Answer: Although no formal estimates have been prepared of the costs to the Department to administer the two block grants, we have determined that the responsibility would probably require--in addition to the current budget of the Office of Revenue Sharing--approximately 40-50 staff and $3 million. In the short run, some modest additional start-up expenses might be incurred by other agencies, but in the longer run the savings by other agencies would be substantial.

Questions Submitted by Senator Domenici

INSTALLMENT PAYMENTS OF REVENUE SHARING ALLOCATIONS

Question: Legislation has been introduced in the Senate to require that installment payments of revenue sharing allocations be paid at the beginning of each quarter. I understand that the Administration has the executive authority to do this, but won't, and that the Administration objects to this legislation. What is the rationale for this position?

Answer: The Revenue Sharing Act has included since 1972 a provision [31 U.S.C. 6702(b)] stipulating that installments of payments "shall be paid at least once a quarter by the 5th day after the end of the quarter." When the Program began, Treasury decided to make payments in four, appromixately equal, installments on the latest dates authorized by the Act. This practice has been followed ever since.

This payment schedule is well understood by all recipient governments, and their financial operations are planned accordingly.

An acceleration of payments to the beginning of each quarter would result in a double payment in the first quarter of its implementation, and would increase budget outlays by more than $1.1 billion in the fiscal year in which it occurred.

The Administration opposes this proposal for a number of reasons:

-- It would inflate the deficit, not only by the $1.1 billion of the actual payment but also by the additional borrowing costs the Department would incur to finance the additional outlays.

-- Although a portion of the additional payments would go to local governments experiencing serious financial problems as a result of the recession, the bulk of the payments would be received by localities not experiencing major fiscal stress. Thus the overall benefits of the action, from the perspective of its effectiveness as a fiscal assistance measure to aid governments with real problems, would be minor. The recovery is well under way, and the fiscal health of local governments can be expected to respond quickly.

APPROPRIATION FOR GENERAL REVENUE SHARING PAYMENTS

Question: The Administraion proposes a three-year authorization of the general revenue sharing program in its current form. This would include the authorization of general revenue sharing payments to State governments, subject to appropriations. No funds are being requested by the President for these payments. Under what circumstances would the Administration request an appropriation for general revenue sharing payments to State governments?

Answer: Neither the Carter Administration, in its budget for FY 1982, nor this Administration, has requested an appropriation for Revenue Sharing payments to State governments.

The Administration is not recommending that the authorization for payments to State governments be removed from the Act. This would preserve, for the President and the Congress, the option of requesting and enacting an appropriation for such payments in the future.

At this time, however, we do not foresee any circumstances that might prompt such a request. Speculation about the nature of the circumstances that might do so would not be productive.

CURRENT PROGRAM STATUTE

Question: Under the current program statute, do you characterize general revenue sharing payments to local governments as an entitlement (i.e., mandatory spending) or as being subject to the discretion of Congressional appropriations?

Answer: The Revenue Sharing Act requires payments to eligible local governments pursuant to formulas in the statute. Those formulas determine allocations to be paid to local governments each year, and are based on the authorized level of funding. This feature of the Revenue Sharing Act creates something akin to an entitlement to the amount determined under the statutory formulas. It is the Administration's position that the Program is an entitlement.

The Act requires Revenue Sharing funds to be appropriated annually. To date, the need has not arisen for a court to determine the rights, if any, that local governments would have should the Congress appropriate less than the full amount authorized for a fiscal year.

Any rights to the authorized level of funding could be repealed by a clear expression of congressional intent in appropriations legislation. However, the courts hold that repeals by implications must be closely scrutinized, particularly when the legislative vehicle is an appropriation act.

At some point in the future, should the Congress desire to reduce Revenue Sharing payments, the most prudent course of action would be to reduce the authorized amount by amendment to the Revenue Sharing Act.

NEW YORK CITY LOAN GUARANTEE PROGRAM

STATEMENT OF ROBERT W. RAFUSE, JR., DEPUTY ASSISTANT SECRETARY (STATE AND LOCAL FINANCE)

ACCOMPANIED BY CHARLES V. McFADDEN, DEPUTY ASSISTANT DIRECTOR (FINANCIAL MANAGEMENT)

OPENING COMMENTS

Senator GARN. Now we will go to the New York City Loan Guarantee Program, and some carryovers and some additions, I assume.

Although the Secretary's authority to issue guarantees expired on June 30, 1982, and the administrative expenses of the Loan Guarantee Program were shifted to the Office of the Secretary, the subcommittee still continues to be concerned with the Secretary's responsibility to monitor the program until the city's obligations are fulfilled.

So if you have any comments you would like to make, either of you, before we ask some questions, go right ahead.

Mr. RAFUSE. Mr. Chairman, I can give you a couple paragraphs of overview of the filibustering statement we gave you of a page and a half by way of introduction.

You are intimately familiar, I know, with the details of the program, so I won't try to——

Senator GARN. Almost as much as McFadden. [Laughter.]

DECLINE IN DEPARTMENT RESPONSIBILITIES

Mr. RAFUSE. We contemplate an allocation of resources to this program amounting to a staff of two people—one professional and one secretary—and about $80,000 a year, which is a large comedown from the days when we had a staff of 15 or 20 people and a million dollar administrative budget. This reflects the substantial decline in the responsibilities of the Department since the full amount of the authorized guarantees was issued by the end of the last fiscal year when the authority to do so expired.

We now retain, for the duration of the life of the bonds that are outstanding, which currently are scheduled to mature through 1993, certain monitoring responsibilities to insure that the interests of the Federal Government are protected and that the city will be in a position throughout that period to make timely payments of principal and interest so our guarantee will not be invoked.

Those monitoring responsibilities essentially involve monitoring the city's adherence to the conditions imposed by the act, that they balance the budget and have annual audits and so forth.

CONTINUING REQUIREMENT OF ACT

In addition, there is one continuing requirement of the act that imposes an obligation for Treasury staff to deal regularly with the city outside of the monitoring responsibilities, and that is the requirement of section 103(11) of the act. This mandates the city each year to prepay an amount of the guaranteed bonds amounting to 15 percent of the net proceeds of the long-term debt that they sell in each fiscal year after that ending last year.

This requirement was imposed by the Congress. It was in the Senate bill in 1978, and it was accepted in conference by the House.

The objective of this requirement is quite straightforward. It is that, once the city got through the crisis period that was the reason for the loan guarantee program—this provision was put in to encourage the retirement of those bonds as quickly as possible and the termination of the Federal Government's involvement in the city's finances.

The Secretary of the Treasury has the authority to waive or to modify that requirement in any given fiscal year on the request of the city, provided it can be demonstrated, and the Secretary concludes, that honoring that requirement by the city would have substantial consequences for its capital program or substantial consequences for its ability to issue bonds in the public credit market.

Last year, the mayor requested a waiver of the requirement and the Secretary determined that the necessary conditions were not met, and we did not approve the request for a waiver. We have not yet received such a request this year. We do not know whether we will get one but, if we do, we will evaluate it in light of the responsibilities of the Department under the act.

So the major open issue at this point is that 15-percent requirement. It will, I suspect, be an issue for the remainder of the life of the program.

[The information follows:]

STATUS OF NEW YORK CITY LOAN GUARANTEE PROGRAM

The New York City Loan Guarantee Act of 1978 authorized the Secretary of the Treasury to issue in (city) fiscal years 1979–82 Federal guarantees of up to $1.65 billion in city bonds with maturities not to exceed 15 years. The guaranteed issues are serial bonds held by the city and State (of New York) pension funds. As of June 30, 1982—when the Secretary's authority to issue guarantees expired—the full $1.65 billion of guarantees had been issued.

On October 1, 1982, the administrative expenses of the program were shifted to the salaries and expense budget of the Office of the Secretary from the separate appropriation that, until then, was the responsibility of this subcommittee. This change was mandated by the Congress by Public Law 97–252, Department of Housing and Urban Development-Independent Agencies Appropriation Act, 1983. In fiscal year 1983, $310,000 was appropriated (six average positions) for the administrative expenses of the program—less than half of the appropriation for fiscal year 1982. In fiscal year 1984, a smaller appropriation will be required ($80,000) for two average positions. This reduction in funding reflects Treasury's diminished responsibilities under the program now that the authorization to extend guarantees has expired.

Although the Secretary's authority to extend further guarantees has expired, Treasury has certain continuing oversight and monitoring responsibilities for as long as Federal guarantees are outstanding. These include insuring that:

—The city and other parties honor their obligations under the agreement by which the guarantees were issued to protect the Federal Government from any event of default;
—the city makes timely payments of principal and interest on the guaranteed bonds;
—the city adopts and adheres to budgets balanced under generally accepted accounting principles;
—independent audits are conducted;
—the city pays the guarantee fee on the guaranteed bonds (0.5 percent per year on the outstanding amount); and
—the city continues to progress in enhancing the productivity of its workforce.

In addition to monitoring and oversight activities, Treasury is currently responsible for administering the mandate of section 103(11)(A) of the act. This requires the city to prepay federally guaranteed bonds in accordance with a plan to reduce Federal involvement in the affairs of the city as soon as possible. Specifically, this section requires that:

> . . . Following the fiscal year ending June 30, 1982, and during any fiscal year thereafter in which a guarantee . . . is outstanding, the city will pay or provide for the payment of . . . city indebtedness then guaranteed . . . in a principal amount not to exceed 15 per centum of the net proceeds of city indebtedness issued in public credit markets during such year.

The Secretary may waive or modify this requirement on a year-to-year basis if the prepayment would substantially impair the city's capital program or would substantially overburden the market for long-term city indebtedness.

In July 1982, Mayor Koch requested a waiver of the prepayment requirement in fiscal year 1983. The request was not approved by the Secretary on the grounds that the application of the prepayment would not substantially impair the city's ability to meet its essential capital needs or . . . substantially overburden the market for long-term city indebtedness.

Officials of the Treasury Department and the city are currently discussing the precise amount of the prepayment the city must make by June 30, 1983. This amount is estimated to range from $52 million to $70 million. No request for a waiver or modification of the prepayment requirement in fiscal year 1984 has been received.

PREPAYMENT REQUIREMENTS

Senator GARN. Section 103(11)(A) of the act requires the city to prepay federally guaranteed bonds. In your opening statement, you note that the Secretary may waive or modify this requirement on a year-to-year basis if the prepayment would substantially impair the city's capital program or would substantially overburden the market for long-term city indebtedness. You further note that the July 1982 request from Mayor Koch to waive the prepayment requirements in fiscal year 1983 was not approved by the Secretary.

What is the current status of the negotiations between the Secretary and the city?

Mr. RAFUSE. With respect to whether there will be a waiver request for fiscal 1984?

Senator GARN. Yes.

Mr. RAFUSE. As I indicated, we have not yet received a request. I would prefer not to speculate about the city's intentions. Should we receive one, we will do what we did last year, which is to review thoroughly the situation.

Senator GARN. What about the actual amount that will be paid in 1983?

Mr. RAFUSE. This year?

Senator GARN. Yes, this year.

Mr. RAFUSE. We are in the process right now of discussing the amount that will be required. Until the year is virtually over and it is clear what the actual total proceeds of bonds issued by the city and by the Municipal Assistance Corp. have turned out to be, it is not possible to give a precise figure.

I know Mr. Berger knows we have been raising our estimate of that figure as time has gone by. We are estimating that the amount of the requirement will be somewhere between $52 million and $88 million for this current year. The high range of that estimate is up from what we gave you last week in the written statement because there have been a number of developments, particularly on the part of MAC, that have resulted in changes in of our estimates.

I would be happy to indicate what those are for the record or orally, if you would like to explore that. But we have exhibits prepared that outline those.

Senator GARN. What I would like you to do is keep us informed. If it is changing week by week, would you keep us informed of what is taking place?

Mr. RAFUSE. I would be happy to.

FISCAL YEAR 1983 PROJECTION

Senator GARN. At last year's hearing you noted that the city's 4-year plan presented to the Treasury on January 15, 1982, provided a revised fiscal year 1983 budget deficit of $854 million. You further noted that the city had adopted a contingency expenditure-reduction program which was designed to balance the city's budget in fiscal year 1983.

What is your latest projection of the city's fiscal year 1983 budget surplus or deficit?

Mr. RAFUSE. Mr. Chairman, as I understand it, the city is, at this point, projecting a modest surplus in its budget this year. They realized a surplus of about $41 million in fiscal 1982.

I would note that, in the arcane world of municipal accounting, the $41 million, in fact, was the residual after an actual surplus of substantially more than that. Under generally accepted accounting principles it is generally considered wise for a city to commit most of a potential surplus before the end of the year. They did so last year by prepaying certain expenses. I don't know that we have a number on that.

They are projecting a balance, but I suspect that reflects internal forecasts of a more optimistic outcome they will dispose of before the year is actually over so they are sure to have full access to the funds. But there is no question in my mind that the requirement of a balanced budget will be honored this year.

BALANCED BUDGET IN FISCAL YEAR 1984

I understand that the city's budget that the mayor recently proposed for fiscal 1984, is carrying for the first time a balance rather than the kind of gap that you just mentioned. This reflects, I believe, a healthy, continued improvement in the city's approach to its finances. Rather than putting up a budget that shows a substantial deficit to be covered by a program to eliminate the deficit, the city is now presenting a balanced budget. I think that is a desirable step. So I am very optimistic that the balanced budget requirement will be satisfied in the foreseeable future.

EFFECT OF JOBS BILL

Senator GARN. What effect, if any, did the enactment of the so-called jobs bill have on city finances?

Mr. RAFUSE. It is our understanding from city officials that they anticipate in their fiscal 1984 year, which begins July 1, they will receive a total of about $80 million from that act. They have in the executive budget compiled an allocation of those funds among a combination of offsetting of previously planned service reductions, enhancement of certain program areas, and even allocations to certain new programs.

I would be happy to provide those details for the record.

Senator GARN. I would appreciate it.

[The information follows:]

EFFECT OF JOBS BILL ON CITY'S FINANCES

According to the 1984 executive budget for the city of New York (dated April 26, 1983), the city's fiscal condition has been improved by the jobs bill. According to the city's preliminary estimates, the jobs bill will help the city in three ways:

One. About $61.7 million will be used to offset service reductions as follows:

a. $48 million in CDBG funds will be used for additional special educational needs of the board of education.

b. $13.7 million will be used in the following program areas: health-related funding; social service block grant; community services block grant; summer youth; and older Americans (senior citizens).

Two. Between $6 and $11 million will be available for the following program areas: Emergency food and shelter facilities, land and water conservation, and urban parks and economic development.

Three. About $11.6 million will be used for new programs not funded through the city's budget.

Senator GARN. Did the Treasury Department provide any advice on the city's use of CDBG funds contained in that bill for public service jobs?

Mr. RAFUSE. None whatsoever that I know of.

SUBMITTED QUESTIONS

Senator GARN. Gentlemen, I have no additional oral questions, but I do have a few additional questions which I would like for you to respond to for the hearing record. I thank you very much for coming.

Mr. RAFUSE. Thank you.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR GARN

REPAYMENT OF GUARANTEE LOANS

QUESTION: At last year's hearing, you estimated that the advanced refunding of Federally-guaranteed debt would equal approximately $82.5 million in FY 1983. Your opening statement, however, estimates this FY 1983 requirement at $52 to $70 million. Could you please describe the conditions that have led you to reduce your original FY 1983 estimate to this new level?

ANSWER: That estimate of $82.5 million of advanced refunding (prepayments) was based on the City's four-year financing plan (the "Interim" Financial Plan) approved by the Financial Control Board on June 30, 1982. The plan implied that $550 million in net bond proceeds would be available in FY 1983 from two sources:

1. $300 million in long-term debt issued by the City, and
2. $250 million to be made available to the City from the $600 million in long-term debt scheduled to be issued by the Municipal Assistance Corporation (MAC).

The City's financing plan approved by the Financial Control Board on February 17, 1983 implied that about $52 million in prepayments would be required in FY 1983. The estimate was revised downward due to a change in the planned MAC financing. Although MAC was still scheduled to provide $250 million in net proceeds to the City in FY 1983, these proceeds were to be entirely from sales of tax-exempt commercial paper and not from the issuance of long-term debt. [On November 2, 1982, Treasury's General Counsel ruled that commercial paper is not subject to the Section 103(11)(A) requirement. However, should such paper be refunded by long-term debt, as it is MAC's intention, those bonds would trigger the prepayment requirement.]

The estimate of a $52 million prepayment requirement is based solely on the issuance of long-term debt by the City in FY 1983 and is calculated as follows:

1. 15 percent of the $300 million in City bonds issued for capital purposes in FY 1983 ($45 million), plus
2. 15 percent of the proceeds of the bonds issued by the City in FY 1983 to satisfy Section 103(11)(A) ($7 million).

Our upper estimate of required prepayments for FY 1983 is now $85 million, $15 million larger than the amount cited in our prepared statement. It is based on the following additional net proceeds of long-term debt we believe have become available to the City in FY 1983:

- Officials of MAC determined in March 1983 that $30 million in proceeds from bonds issued this year for deposit to its Capital Reserve Fund was not required for that purpose, and made this amount available to the City. The City determined that it does not require these funds in FY 1983--consequently, MAC placed the $30 million in escrow.

- The additional sale by MAC of $118 million of long-term debt on April 19, 1983 to exploit favorable market conditions. These funds are available to the City in FY 1983 but have been placed in escrow at the City's request for subsequent use--probably in FY 1984.

- The proceeds of the sale of approximately $75 million of MAC bonds issued as a result of the exercise of MAC warrants are available to the City in FY 1983. MAC attached warrants to the sale of $159.505 million in bonds issued prior to June 30, 1982 and another $100 million in warrants was attached to bonds issued in November 1982. MAC's total proceeds in FY 1983 from bonds issued as a result of the exercise of warrants were $90 million, almost entirely from the exercise of warrants issued prior to June 30, 1982. However, MAC used $15 million of these proceeds as a deposit to its Capital Reserve Fund in FY 1983.

This additional $223 million in net proceeds available to the City in FY 1983 may generate an additional $33 million of required prepayments in FY 1983 (bringing the total to $85 million).

However, City officials feel that the appropriate amount of prepayments in FY 1983 is $52 million and are currently preparing arguments for excluding this amount from the calculation of prepayments for review by Treasury. We hope to resolve this issue by the end of May.

OVERSIGHT AND MONITORING RESPONSIBILITIES

QUESTION: On page 1 of your opening statement, you list six oversight and monitoring responsibilities of the Treasury relative to the New York City Loan Guarantee Program. Could you please describe the activities you are undertaking during FY 1983 and FY 1984 relative to each of these responsibilities? Could you please describe the City's current status relative to each of these issues and your expectations for FY 1984?

ANSWER: The six oversight and monitoring responsibilities discussed in our prepared statement involve the following continuing activities by the Treasury Department:

- Careful review and analysis of various reports submitted by the City to the Treasury Department. These reports provide the basis for most of the on-going responsibilities under the program. A listing of these reports is presented at Exhibit A. A calendar presenting the dates when these reports are due is presented at Exhibit B.

- Calculation of the guarantee fee on a quarterly basis. The City is required to pay the guarantee fee by the last day of each quarter. Exhibit C presents a summary of the guarantee fees paid by the City through March 31, 1983.

Senator Garn—Continued

EXHIBIT A

LIST OF REPORTS REQUIRED TO BE SUBMITTED BY
THE CITY OF NEW YORK TO THE DEPARTMENT OF THE TREASURY

Under the November 15, 1978 Agreement to Guarantee, the City must regularly submit to the Secretary of the Treasury the following:

1. Four-Year Plan no later than July 1 of each fiscal year in which Guaranteed bonds are outstanding. (§3.1.5c)

2. Monthly Certificates no later than the end of each calendar month certifying that there were no material modifications in the Financial Plan and no adverse developments in pending litigation. (§6.7.1)

3. Monthly Financial Plans no later than the end of each calendar month reporting results of operations of City and Covered Organizations for the preceding month. (§6.73)

4. Quarterly Financial Plan Statements (no later than October 31, January 31, and April 30 of each year) reporting results of operations of City and Covered Organizations for the preceding quarter of the fiscal year. (§6.7.3)

5. Annual Audit Reports (Comptroller's Reports and Reports of the City's Independent Auditors) no later than October 31 of each year reporting the financial position of the City. (§6.74)

6. Economic Reports on March 15 and September 15 of each year evaluating the overall economic position of the City for the preceding half of the fiscal year. (§6.7.5)

7. Collective Bargaining Agreements upon submission to the FCB along with projections of costs and a certificate of consistency with the Financial Plan in effect. (§6.7.6)

8. Mayor's Management Reports on January 30 and September 17 of each year reporting management and productivity improvements. (§6.7.7)

9. Borrowing Schedules no later than July 1 of each fiscal year presenting the plan of seasonal, City, and MAC borrowing for the forthcoming year. (§6.7.8)

10. Reports of Covered Organizations as soon as possible after the end of each organization's fiscal year reporting the financial position and results of operations of the preceding fiscal year certified by independent certified public accounting firms as to compliance with GAAP. (§6.7.9)

Senator Garn—Continued

EXHIBIT B

NEW YORK CITY LOAN GUARANTEE PROGRAM
CALENDAR OF DOCUMENTS RECEIVED

January:
10-20 PEG and Four-Year Financial Plan submission
30 Mayor's Management Report (semi-annual)
31 Financial Plan Statement (FPS) for December; Monthly Certificate for December

February:
10 OSDC Review of PEG and Plan submission*
15 FCB Review of PEG and Plan submission and Review of 2nd quarter of current City FY*
28 Audit Committee Report
28 FPS for January; Monthly Certificate for January

March:
15 Report on Economic Conditions in NYC (July-December of preceding calendar year)
31 FPS for February; Monthly Certificate for February

April:
30 FPS for March; Monthly Certificate for March

May:
1-15 Executive Budget/Message of the Mayor for next FY
10-15 Four-Year Financial Plan modification for next four FY's
25 FCB Review of 3rd Quarter of current City FY*
31 FPS for April; Monthly Certificate for April

June:
1-30 Detailed Borrowing Schedule for next FY
30 FPS for May; Monthly Certificate for May

July:
1-15 Adopted Budget for current fiscal year
31 Monthly Certificate for June (no FPS for June)

August:
31 FPS for July; Monthly Certificate for July

September:
15 Report on Economic Conditions in NYC (January-June of current calendar year)
17 Mayor's Management Report (semi-annual)
30 FPS for August; Monthly Certificate for August

October:
31 Annual Audit (Annual Report of the Comptroller) for preceding FY
31 FPS for September; Monthly Certificate for September

November:
25 FCB Review of 1st quarter of current City FY*
30 FPS for October; Monthly Certificate for October

December:
31 FPS for November; Monthly Certificate for November
31 FCB Report on Productivity Efforts in NYC

*Not required by Act or Agreement to Guarantee

EXHIBIT C

NEW YORK CITY LOAN GUARANTEE PROGRAM GUARANTEE FEES COLLECTED FROM THE CITY

Year	Calculation Period (1)	Guarantee Fee (2)	Adjustments (3)	Cumulative Payments To Date (4)
1978	11-17 to 12-31	$ 123,287.67	$ 202.35[a]	$ 123,490.02
1979	1-1 to 3-31	371,249.98	—	497,740.00
1979	4-1 to 6-30	438,356.17	—	933,096.17
1979	7-1 to 9-30	547,945.22	—	1,481,041.39
1979	10-1 to 12-31	621,220.97	—	2,102,262.36
1980	1-1 to 3-31	845,341.94	—	2,947,604.30
1980	4-1 to 6-30	919,112.43	—	3,866,716.73
1980	7-1 to 9-30	921,296.42	2,037.60[a]	4,790,050.75
1980	10-1 to 12-31	1,273,396.09	—	6,063,446.84
1981	1-1 to 3-31	1,231,377.45	—	7,294,824.29
1981	4-1 to 6-30	1,228,864.00	—	8,523,688.29
1981	7-1 to 9-30	1,235,372.49	(520.29)[b]	9,758,540.49
1981	10-1 to 12-31	1,344,730.90	—	11,103,271.39
1982	1-1 to 3-31	1,662,192.74	—	12,765,464.13
1982	4-1 to 6-30	1,863,800.92	—	14,629,265.05
1982	7-1 to 9-30	1,863,041.03	—	16,492,306.08
1982	10-1 to 12-31	1,779,238.72	—	18,271,544.80
1983	1-1 to 3-31	1,700,623.36	—	19,972,168.16

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[a] Represents a late charge for a delinquent payment by the City.

[b] Represents an adjustment for overpayments during the quarters ending September 30, 1980 and March 31, 1981

Note: The guarantee fee payable by the last day of each quarter is 0.5 percent of the amount of outstanding federally-guaranteed debt prorated according to the number of days that comprised the quarter.

Office of State and Local Finance
U.S. Department of the Treasury
May 10, 1983

NEW YORK CITY ECONOMY

QUESTION: Last year, in response to one of my questions for the record you listed a series of four indicators of the City's economic performance. Could you please update these indicators, using the most current data available?

ANSWER: In 1982, for the second consecutive year, New York City was less affected by the national recession than was the rest of the U.S.

- The local unemployment rate climbed from 9.0 percent to 9.6 percent from 1981 to 1982 compared with the 7.6 percent to 9.7 percent rise nationally.

- Employment in the City fell 0.2 percent in 1982. However, this decline was substantially smaller than the national decline of 1.6 percent because of the dominance of the service and financial sectors—the sectors least affected by the recession—in the City's overall employment base. Manufacturing employment, however, continues to decline in the City. In 1982, durable manufacturing employment fell 8 percent; nondurable manufacturing employment declined by 2.1 percent—about the same as the national average.

- The CPI in the New York area increased by 5.8 percent in 1982, less than the national increase of 6.1 percent. In recent years receipts of economically sensitive taxes—sales, personal income, general corporation, financial, unincorporated business, and utility—have increased rapidly with the high rate of inflation. These tax sources account for about half of all local tax revenues. Revenues from these tax sources are projected to rise by 7.4 percent in 1984.

- Retail sales rebounded in the second half of calendar year 1982, growing by 4.0 percent. City officials feel this growth signals the return to more robust local retail sales activity.

- In 1982, the City benefited from a continuing boom in the construction sector. While U.S. construction employment fell 5.6 percent in 1982, the City's construction employment increased by 2.1 percent.

NEW YORK CITY'S CONSTRUCTION PROGRAM

QUESTION: At last year's hearing, you stated that the City's Construction Program was projected to commit $1 billion for the improvement of the City's capital plant during FY 1983. What is the most current projection for the FY 1983 Capital Construction Program?

ANSWER: According to the 1984 Executive Budget for the City of New York (presented on April 26, 1983), the City's projection of capital spending in FY 1983 is $1.065 billion.

The City's capital budget projections through FY 1987 are:

FY	City-Capital Budget (billions)
1983	$1.065
1984	1.334
1985	1.330
1986	1.430
1987	1.625
Total	$6.784

TREASURY RESOURCES FOR NEW YORK CITY LOAN GUARANTEE PROGRAM

QUESTION: Could you please describe the resources that the Treasury Department is making available for the monitoring and oversight of this program, including number of personnel, GS levels, secretarial support and any other fees and services? What was your request to OMB for these various categories of resources for FY 1984?

ANSWER: In the Office of the Secretary, Salaries and Expenses appropriation, two authorized positions and $80,000 are included in the FY 1984 Budget Request. The two positions are a GS-12 Financial Analyst and a GS-7 Secretary. The OMB and Congressional requests are identical.

NEW YORK CITY LOAN GUARANTEE PROGRAM
FY 1984 REQUEST
(dollars in thousands)

	Object Class	Amount
1100	Personnel Compensation	$49
1200	Personnel Benefits	5
2100	Travel	12
2300	Rents, Communications and Utilities	6
2400	Printing and Reproduction	1
2500	Other Services	6
2600	Supplies and Materials	1
	Total	$80

FEDERAL HOME LOAN BANK BOARD

STATEMENT OF EDWIN GRAY, CHAIRMAN

ACCOMPANIED BY:
DENNIS PITTMAN, BUDGET OFFICER
RICHARD PETROCCI, DIRECTOR, ADMINISTRATION
THOMAS VARTANIAN, GENERAL COUNSEL
SHANNON FAIRBANKS, EXECUTIVE STAFF DIRECTOR
JAMIE JACKSON, BOARD MEMBER
D. JAMES CROFT, DIRECTOR, EXAMINATIONS AND SUPERVISION
CHARLOTTE CHAMBERLAIN, DIRECTOR, POLICY AND ECONOMIC RESEARCH
DAVID GLENN, DIRECTOR, FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

OPENING REMARKS

Senator GARN. If we could have before us the representatives of the Federal Home Loan Bank Board.

Mr. Gray, I would like to welcome you to your first hearing as Chairman. I congratulate you on your new position as Chairman. You don't fill up as much of the chair as Mr. Pratt did. [Laughter.]

The Board receives no appropriated funds from the U.S. Treasury. Rather, the Congress provides a limitation on the administrative and nonadministrative expenses of the Board and the administrative expenses of the FSLIC.

BUDGET REQUEST

This year the President's budget request contains $25,820,000 and $40,570,000 for the administrative and nonadministrative expenses of the Board and $1,245,000 for FSLIC administrative expenses.

I note that you have a 23-page prepared statement. If you would like to present a summary of your statement, I would be happy to place the entire statement in the record. Please proceed.

Mr. GRAY. Thank you very much, Mr. Chairman.

I am delighted to be able to appear before you this morning, particularly in my new role as Chairman, with my colleagues here at the Federal Home Loan Bank Board. Because I know your morning calendar is crowded, I am not going to read the testimony which has been submitted to the committee in the interest of time.

I would like to say, however, that I am honored that the President of the United States has designated me as Chairman of this important agency. These last several years have been ones of great challenge to the Bank Board.

From my observation as former member of the policy staff at the White House, most recently as a member of the private sector, followed by only a few weeks as Bank Board member, the Bank Board under the outstanding leadership of my predecessor, Chairman Pratt, has been up to the enormous challenges that it has faced.

I want to thank you, Mr. Chairman, members of the committee staff, for your collective understanding of the role and needs of the Bank Board as this agency moves forward toward a new budget year. The staff cooperation has been just excellent, which is very gratifying to us.

INTRODUCTION OF ASSOCIATES

I would like to introduce now, Mr. Chairman, my colleagues at the Bank Board who are with me today. I would like to start to my right with Mr. Dennis Pittman, Budget Officer; Mr. Richard Petrocci next to him, who is Director of the Office of Administration; Mr. Thomas Vartanian, General Counsel of the Bank Board; our new Executive Director, recently from the White House—Executive Staff Director, I should say—Mrs. Shannon Fairbanks; my colleague on the Board, Mr. Jamie Jackson; the Director of the Office of Examinations and Supervision, Mr. D. James Croft; the Director of the Office of Policy and Economic Research, Charlotte Chamberlain; and finally and just coming to us as Director of the Office of the FSLIC, from the University of Utah, where he served as chairman of the department of finance, Dr. David Glenn.

Senator GARN. We didn't want to lose the whole Utah Mafia when Chairman Pratt left. [Laughter.]

PREPARED STATEMENT

Mr. GRAY. I would like to submit my prepared statement for inclusion in the hearing record, after which I will be happy to answer any questions you may have.

[The statement follows:]

STATEMENT OF EDWIN J. GRAY

Mr. Chairman, Members of the Subcommittee, I appreciate the opportunity to appear before you today to present the fiscal year 1984 budget request of the Federal Home Loan Bank Board. Our 1984 request of $67,635,000 represents only a slight increase from our 1983 revised estimate of $67,440,000. To assist the Subcommittee in its policy oversight function, my statement will also deal with (1) the economic status of the thrift industry in 1982; (2) performance and supervisory actions of the Federal Savings and Loan Insurance Corporation ("FSLIC"); (3) the enactment and implementation of recent legislation; (4) the agency's regulatory (and deregulatory) activities; (5) the development of improved supervisory monitoring procedures; and (6) the Board's equal employment efforts.

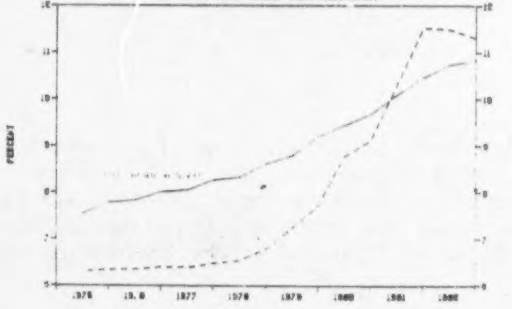
STATUS OF THE THRIFT INDUSTRY DURING 1982

While the savings and loan industry experienced heavy losses during the first half of 1982, both the actual performance of and outlook for savings and loans greatly improved during the latter part of the year. A sharp decline in market interest rates, the enactment of the Garn-St Germain Depository Institutions Act of 1982, and further deregulation by the Bank Board were the major factors resulting in this improvement.

As you know, the industry's difficulties during 1981 and most of 1982 resulted in large part from a level of interest rates that were sharply higher than in any earlier period. During this time, yields on 6-month Treasury bills exceeded 12 percent and in some months reached levels over 15 percent. At the time this unprecedented level of interest rates buffeted the economy, 45 percent of S&L deposits were tied to short-term rates while the average portfolio was composed primarily of long-term, relatively low-yielding mortgages. The combination of high rates and S&Ls' asset-liability mismatch forced the industry into the untenable position of paying rates on deposits that were higher than those they were receiving on their asset portfolios.

The average cost of funds of associations (for both deposits and borrowing) rose from an annual rate of slightly over 9 percent during the last half of 1980 to approximately 11.5 percent in the second half of 1981 and the first half of last year. In sharp contrast, during the same 30-month period, the gross return on assets edged up only moderately, from 9.66 percent in late 1980 to 10.75 percent in the first half of 1981 (See Chart 1).

(Chart 1)
GROSS RETURN ON ASSETS AND COST OF FUNDS
SAVINGS AND LOAN ASSOCIATIONS

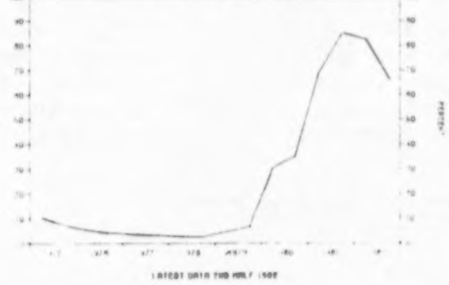


As a consequence, the large negative gap between the cost of funds and gross return on assets, which had begun to develop in late 1980, widened through the first half of 1982. This negative spread, coupled with the addition of approximately 150 basis points (one and one-half percent) necessary simply to cover operating expenses, resulted in net operating losses of associations of $3.2 billion in the last half of 1981, and a record $3.3 billion in the first half of 1982.

The thrift industry's financial crisis abated somewhat after mid-1982, when a sharp decline in market interest rates began to occur. By the last quarter of 1982, the 6-month T-bill rate had fallen to approximately 8.25 percent, about 600 basis points (6 percent) below its previous peak. The short-term nature of most association borrowings and deposits quickly translated these lower market interest rates into lower deposit costs. As a result, the average cost of funds of associations declined approximately 25 basis points between the first and second half of 1982 to 11.27 percent.

At the same time, the yield on assets increased moderately to 10.89 percent for the second half of 1982, narrowing the negative spread between assets and liabilities. Available data indicates that the prior negative spread was nearly eliminated by late 1982 for the industry as a whole, thus reducing the operating losses of associations during the final six months of 1982 to roughly $1.0 billion, less than one-third of the losses incurred during the first half of the year. Improvement varied significantly among institutions. In terms of individual associations, only an estimated two-thirds of all federally insured associations experienced some operating losses in the second half of 1982 compared to 82 percent during the first half of 1982. (See Chart 2). And, by early this year, this percentage had probably declined to approximately 50 percent.

(Chart 2)
PERCENT OF SAVINGS AND LOAN ASSOCIATIONS
EXPERIENCING LOSSES
SEMIANNUAL DATA



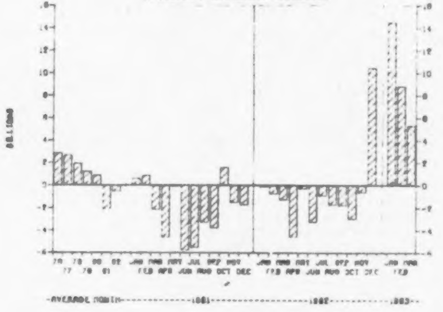
As previously mentioned, operating losses have reduced the net worth of the S&L industry over the past several years. The deterioration was at a slower pace recently, however, because of smaller losses. Moreover, in December, 1982, net worth actually increased because of a change in the Board's regulations, which permitted associations to include appraised equity capital for purposes of calculating regulatory net worth. At the end of March, 1983, the most recent date for which information is currently available, the regulatory net worth for S&Ls equalled 3.7 percent of assets, approximately the same as of year-end 1982. This represents a decline from the 4.2 percent net worth ratios at year-end 1981, and is substantially lower than the 5.5 percent level that prevailed before late 1980. (See Chart 3). Significantly, however, individual associations had a wide range of net worth ratios. As of year-end 1982, nearly 13 percent of insured associations had net worths equal to or less than 2 percent of assets.

NET WORTH AS A PERCENT OF TOTAL ASSETS
OF SAVINGS AND LOAN ASSOCIATIONS

The changing nature of the financial marketplace made some consolidation inevitable. But, as a result of escalating interest rates and deteriorating earnings, industry consolidation accelerated sharply from 1980 through the first nine months of 1982 as thrifts sought to improve their competitive prospects. During the first nine months of 1982, the Board approved an average of 39 mergers per month. From October through December, the number of mergers approved had declined to about 60 percent of the previous rate. Nevertheless, the overall number of mergers in 1982 totaled 425, a sharp increase from 296 for all of 1981. Total assets of the institutions merged in 1982 were $70.1 billion, also substantially higher than the corresponding figure of $34.5 billion for 1981. Of the merger applications approved by the Bank Board last year, 51 percent (215) were voluntary, 39 percent (166) were supervisory mergers without FSLIC assistance, and 10 percent (44 involving 65 failing associations) were supervisory mergers with FSLIC assistance.

As in 1980 and 1981, during nearly all of 1982 savings and loans associations found it difficult to compete for deposits due to the prevailing interest rate environment. Consequently, the market share of savings flows for S&Ls relative to money market mutual funds and commercial banks was very poor during most of last year. Including interest credited, S&Ls averaged only about 11 percent of deposit inflows during the first 11 months of the year, while money market funds captured 37 percent and commercial banks about 43 percent. Indeed, excluding interest credited, S&Ls had deposit outflows during this entire period. (See Chart 4).

Chart 4)
NET NEW DEPOSIT RECEIPTS OF
SAVINGS AND LOAN ASSOCIATIONS
(WITHOUT INTEREST CREDITS)



In December, however, there was a $10.4 billion net new deposit inflow resulting from the introduction of the money market deposit account ("MMDA"). This account was authorized December 14 by the Depository Institutions Deregulation Committee ("DIDC") pursuant to the Garn-St Germain Depository Institutions Act. We are encouraged to see that net new deposit receipts have continued during the first three months of this year, although slowing from $14.5 billion in January, to $8.8 billion in February and to $5.3 billion in March, 1983. The positive deposit flow of associations reflects, in part, renewed consumer confidence regarding the safety of savings institutions.

Poor deposit flows and lowered demand resulting from high mortgage interest rates sharply limited the ability of the savings and loan industry to provide funds to home buyers and home builders. Thus, FSLIC-insured associations closed only $53.4 billion of mortgage loans during 1982. This is only moderately higher than the depressed financing level of $52.3 billion provided during the corresponding period of 1981. However, despite their lowered lending volume, associations provided a large amount of additional funds to the mortgage market indirectly through the purchase of mortgage backed securities.

Mortgage lending began to increase sharply in December as a result of the large deposit inflow and increased loan demand stemming from lower mortgage interest rates, and continued to exhibit more strength during the first quarter of 1983. Indeed, March mortgage lending on a seasonally adjusted basis was the largest volume on record.

SUPERVISORY ACTIVITIES

The economic difficulties faced by thrifts led to a year of unprecedented supervisory activity for the Bank Board and FSLIC. During CY 1982, the Bank Board approved 44 FSLIC-assisted mergers and five FSLIC-assisted holding company acquisitions, involving 77 associations with total assets of $31.2 billion. This activity was more than 60% of total assets of FSLIC assisted cases since its inception in 1934. In present value terms, the cost to the FSLIC fund will be $1.2 billion over the next 5 to 10 years. Moreover, the ratio of present value cost to total assets declined significantly in 1982 from 10 percent to less than 5 percent. In large part, the Board achieved this reduction by using new concepts such as purchase accounting and income capital certificates, focusing on pairing problem cases with strong survivors, and engaging in interstate transactions, including an interindustry acquisition involving a $2.9 billion institution.

Perhaps a more meaningful ratio to measure the efficiency achieved last year is the ratio of the cost of assistance to the cost of liquidation. This ratio declined from approximately 19.7 percent in 1981 to around 15 percent in 1982, and declined even further in the first quarter of FY 83 to 11.9 percent. The enormous cost efficiencies achieved during this period are reflected in the fact that the FSLIC ended 1982 with reserves of some $7 billion.

There were no traditional liquidations (cash payouts) of an insured institution during FY 1982. However, in November 1982, the Board had to appoint FSLIC as receiver for purposes of liquidating a small $36 million association. The insured accounts of the failed association were immediately transferred to another insured association. Although this new type of liquidation, that is, a transfer of insured deposit accounts vis-a-vis a cash payment to individual depositors, has been authorized by the National Housing Act for some time, this was the first instance in which it was used.

The Bank Board has found that the transfer of accounts liquidation has several distinct advantages over a cash payout. First, such a transfer reduces FSLIC's costs because the transferee association, in order to acquire these accounts, is willing to pay a premium reflected in the form of a percentage discount from the aggregate amount of the accounts actually transferred by the FSLIC. Second, the operating costs of the receivership are lower. Finally, such a transfer spares accountholders of the closed association the inconvenience as well as the aggravation of retrieving deposited funds.

In the November liquidation and insurance settlement involving the transfer of accounts, the FSLIC made a cash payment of approximately $28.8 million to the transferee, representing 96 percent of the value of the insured deposit accounts transferred from the liquidated association to the transferee. The balance of four percent represented a premium paid by the transferee to the FSLIC for the opportunity to retain the former association's depositors, and to purchase the facilities and establish them as its own branch offices in those communities.

During 1982, FSLIC provided to the industry approximately $340 million of assistance in the form of Income Capital Certificates ("ICCs"). ICCs are a hybrid instrument, incorporating features of both debt and equity. In these cases, FSLIC injects cash or cash equivalent notes in exchange for ICCs issued by the acquiring or resulting institution.

Currently, the Board is implementing the new capital assistance plan authorized by the Garn-St Germain Act. Under this program, federal and FSLIC-insured institutions with net worths of three percent or less are allowed to improve their net worth by obtaining promissory notes from the FSLIC in exchange for capital instruments, known as net worth certificates. While the program is based on the former ICC plan of assistance, associations must now meet certain requirements prior to becoming eligible for FSLIC assistance under the net worth program.

The Board believes that lower interest rates, the anticipated improvement in industry earnings and the regulatory change allowing associations to augment their regulatory net worth by the difference between the market value and book value of certain fixed assets will reduce the amount of net worth certificates originally projected. Thus, if market interest rates continue roughly at current levels, we anticipate that only around 260 associations will be eligible to participate in the program in 1983. As of yet, only a small fraction of this number has formally applied for assistance. However, even with the availability of capital assistance in conjunction with current interest rate levels, the Board anticipates that approximately 26 institutions will exhaust their net worth and require FSLIC assistance other than that available under the net worth certificate program. This number is in addition to the 59 institutions that are currently insolvent and awaiting resolution of their status by the FSLIC.

In addition to these procedures, the Office of Examination and Supervision has also developed effective approaches to resolve supervisory cases. For example, the Bank Board over the past several years has taken a number of steps to improve the timeliness and quality of its examinations. The Board has modified the system for scheduling examinations to focus more immediate attention on weaker associations. In addition, the Board has installed in all field examination offices computer terminals accessing the Bank Board's member data base in Washington, D.C., to provide field staff throughout the country with the capability of monitoring continuously the financial condition of associations. The Board has also streamlined the examination process to afford examiners greater flexibility in focusing their reviews and reports on problems. Finally, the Board has installed advanced communicating word processing equipment in all field examination offices to accelerate the preparation and transmittal of examination reports.

While the Bank Board is encouraged by the steady decline of market interest rates in the past year, the challenge confronting it and FSLIC in dealing with financially troubled thrift institutions is not over by any means. As noted earlier, FSLIC has pending before it approximately 85 associations which either are insolvent or ineligible for capital assistance, for which it must find solutions.

The passage of the Garn-St Germain Act granted the Board and FSLIC increased flexibility in pursuing courses of action appropriate to the resolution of each particular supervisory case. The number and complexity of these supervisory cases have placed great personnel demands on all areas of the Bank Board, in particular, OES, FSLIC and the Office of General Counsel. However, through the efficient use of their resources and the development of innovative procedures in the supervisory context, these offices have been able to deal effectively with the strain.

The Bank Board is proud of the successful efforts of its staff to handle the crisis of the thrift industry, as well as the subsequent administrative and substantive work shift resulting from the new competitive era of financial institutions. Nevertheless, I must emphasize that, even given the current circumstances of the industry and projected changes, it is quite likely that the personnel and financial resources of the Bank Board will continue to be as strained over the next several years as they have been during the past three years. In this context, it is vital that the Congress continue to provide the Bank Board with budget flexibility commensurate with its administrative responsibilities.

GARN-ST GERMAIN DEPOSITORY INSTITUTIONS ACT

The enactment of the Garn-St Germain Depository Institutions Act on October 15, 1982 was perhaps the most essential tool given the thrift industry, in terms of providing operating flexibility and the ability to respond to rapidly changing economic conditions and to any economic environment. The Bank Board would like to compliment the Banking Committees and the Congress for their leadership and foresight in charting a new direction for the nation's financial institutions, particularly the thrift industry. In our view, the Act is the most important institutional reform legislation in the last 50 years. The Board is confident that this legislation will provide the structural flexibility that associations need to become successful participants in the financial markets and to provide substantial services to the American public.

The Bank Board has already adopted final regulations implementing the new legislation. In December, the Board issued final regulations for the Net Worth Certificate Act and the chartering authority granted under the Act, and last week adopted final regulations governing the new investment powers and due-on-sale preemption.

REGULATORY AND DEREGULATORY ACTIVITIES

Recent regulatory reform actions by the Board also have complemented the legislation and have given added flexibility to the thrift industry. In 1982, the Board promulgated 45 final regulations, placing particular emphasis on deregulation of the asset and liability side of the thrift business in the accounting and reserve requirements, savings and loan activities, and treatment of securities. These actions reflected the Board's philosophy that the thrift industry's greatest strength lies within itself, in its ability to respond to the new economic environment.

In 1982, the Board also granted broad new home lending empowerments to associations. Federal associations now have increased authority to engage in correspondent activities, offer consumer leasing services, and act as depository and fiscal agents. In connection with increasing supervisory activity and consequent restructuring, the Board revised its policy statements on branching in supervisory cases, authorized the creation of interim institutions, provided for charter conversions for supervisory purposes, and amended the management official interlocks regulations to provide a safety-and-soundness exception to the termination of "grandfathered" rights in supervisory merger situations.

INSURANCE STUDY

Before concluding my remarks, I would like to briefly comment on the FSLIC's study of its deposit insurance program. As you know, the Garn-St Germain Act mandates, in section 712, that the FSLIC conduct a comprehensive study of its deposit insurance program. That study is completed and was submitted to the full House and Senate Banking Committees April 15, 1983.

While deposit insurance played a major historical role in restoring public confidence in our financial system in the 1930's, it also shaped the structural development of financial markets over the succeeding half century. The nature of both statutory and regulatory restrictions imposed upon the activities of insured institutions resulted in large part from concerns over the risk exposure of FSLIC. Similarly, the availability of Federally-insured financial investments affected the way private investors invested their savings.

The recent revolutionary changes in the economic and legal environment of financial intermediaries suggested the need for a new look at federal deposit insurance. Accordingly, the study examined not only the feasibility of the Federal deposit insurance system as it presently exists, but also a wide range of alternatives. Such alternatives include the use of industry capital as a reserve against losses, the use of private market mechanisms to augment or replace deposit insurance, and the use of variable-rate or risk-sensitive insurance premiums.

Finally, the study examined the proposal of combining the federal deposit insurance functions of the FSLIC, the FDIC, and the NCUA Share Insurance Fund, as well as incorporating into one federal agency the regulatory functions for the commercial banking industry. With respect to consolidation, the Bank Board is not opposed to streamlining the administrative process, and reducing the net cost of running a federal agency. It is our view that a merger of the insurance funds could well create an additional unnecessary layer of regulation for the thrift industry. Given the interdependence of the insurance, regulatory, and liquidity functions of the federal agencies involved, particularly the highly successful and longstanding consolidation of these functions within the Board itself, separating the functions might well have potentially adverse effects on the financial regulatory system as we now know it. The Board therefore encourages the Congress to approach consolidation through a merger of bank regulators, before any consideration is given to any future discussion regarding incorporation of the Bank Board and its constituent parts, and only at such time as complete homogenization of bank-thrift operations occurs.

BUDGET ISSUES

At this point, I would like to address several specific items related to our FY 84 budget justification: the Bank Board's pilot examination program and training; the Board's equal employment record; and the Board's administrative and non-administrative expenses subject to limitation.

PILOT EXAMINATION PROGRAM

The Bank Board has recently begun a new pilot examination program in one examination district to improve further the quality and timeliness of the information flowing from the examination process. Under this pilot program, the Board is testing two major innovations. First, we are relying on our continuous computer financial monitoring system in the field offices to trigger an examination immediately upon detecting an emerging problem. Previously, an examination was scheduled generally because of the passage of certain numbers of months since the last examination.

The second element of the program would afford the field examination offices the flexibility to narrow or expand the scope of an examination while still advising supervisory staff quickly and fully of associations' conditions and problems. For example, this could include an analysis conducted solely in the field office, a brief one or two-day inspection at the institution, or a full-scale examination. By tailoring the process to each particular institution, we hope to accelerate substantially the delivery of key examination findings for prompt supervisory review and action.

The Board expects that this pilot program will produce several significant changes in our examination process. Additional examinations will be conducted with a substantial decrease in the amount of time required per examination. However, this will result in more, but briefer reports delivered to supervisory staff on a more timely basis.

Perhaps the major effect of this new initiative will be the evolution of more in-depth office-based analysis as part of a total examination capability. The resources of the Board's computer system will make this possible as an adjunct to the on-site examination at the institution. In this regard, we are working to identify those aspects of an examination which OES can perform more efficiently in a field examination office setting rather than as part of an on-site examination procedure.

The Board now plans to evaluate the pilot program during this fiscal year. If it proves successful, we will expand the pilot program in the following two fiscal years to all examination districts.

EXAMINER TRAINING

The complexity of association operations and the industry's economic difficulties have also made examiner training an increasingly critical component of the Board's overall efforts to improve its examination process, both for its own examiners and for state examiners who participate with us in joint examinations of state-chartered institutions. During 1982, the Bank Board took several important steps to improve its examiner training program.

First, the Board developed a new two-week course for the intermediate level examiner as a required follow-on course to our New Examiner Training School. Because of the industry's greater involvement in different types of complex financial transactions, this course focuses on a number of finance-related topics including financial reporting and analysis, savings and loan accounting issues and asset and liability management. The first session of this course was held last October and a total of twenty-two sessions are scheduled during this current fiscal year.

A second major development during 1982 was the development of a core curriculum of courses for examiners and a multi-year scheduling system which ensures that all examiners receive this core training during their first three years as examiners.

A continuing major aspect of the Board's training effort during 1982 was the state examiner training program. I am pleased to report a substantial increase in the level of state examiner participation during 1982 over the previous year. Specifically, state examiners filled 695 training slots last year as compared to 528 the previous year, an increase of 32%. Through the state examiner training program, the Bank Board convened in January of 1981, and again in December of last year, four conferences for state savings and loan supervisors and their federal counterparts. These sessions addressed a number of topics of mutual concern to state and federal regulators, including implementation of the Garn-St Germain Act.

Our commitment to the state examiner training program remains at this high level during the current fiscal year. In addition, during FY 1983 we are in the process of expanding the training provided to state and federal examiners to address the new lending and investment powers now authorized thrift institutions.

EQUAL OPPORTUNITY EFFORTS

Although Bank Board hiring activity has dropped during the last year, we have made significant improvements in attaining our affirmative action goals since May, 1982 (the period following the last budget hearings). During the last year, the Bank Board made 49 professional and administrative hires at grade levels GS-9 through SES. Of those 49 hires, 27 percent are female and 22 percent are minority candidates. Three of the Bank Board's sixteen Offices are headed by female directors.

As we stated in last year's testimony, the Board anticipated that the administration of its own staffing program for its most populous occupational field, savings and loan examining, would help the Board achieve a larger percentage of female and minority hires at the entry levels. Although below normal attrition rates permitted only 25 examiner hires during the period, our targeted recruitment program allowed us to select candidates from our most underrepresented groups. Eligible female and minority candidates comprise 17.5 percent of the applicant pool, but 44 percent of our 25 hires in the examiner occupation field were females and 32 percent were minorities, including 4 Hispanic females and 1 Oriental female. Based on our success with the staffing program to date, the Bank Board is confident that it can continue to reduce underrepresentation in the examiner workforce and reach its affirmative action goals in this area.

Since the Board's attorney workforce has been underrepresented by minorities in recent years, we were particularly pleased to hire two minority law clerks under our 1982 summer program. The Board recently has offered one of these candidates full-time permanent employment. In addition, the Board has targeted its recruiting activities at minority colleges, universities and organizations nationwide in order to give the agency greater exposure to increase the number of female and minority candidates in our pool of eligible candidates for all occupational fields. Finally, the Board has completed a recruitment brochure which will give prospective candidates an overall view of the mission and functions of the Bank Board. As a result of our recruitment activities, the Board expects to see a continual increase in the number of female and minority hires from all underrepresented groups.

The Bank Board is making continual progress in narrowing the gap between average grade levels of white males and those of females and minorities. However, given the level of representation by both groups in occupations found at the Bank Board, we feel the best way to reach reasonable parity is to continue to recruit entry and mid-level female and minority candidates and provide opportunities for career progression.

ADMINISTRATIVE AND NONADMINISTRATIVE EXPENSE LIMITATIONS

Finally, I would like to comment on the Bank Board's administrative and nonadministrative expenses subject to limitation. As I stated at the beginning of my statement, the Bank Board is asking for authority to spend $67,635,000 in fiscal year 1984. This is essentially the same level of funding as our current year revised estimate and is possible despite general price level increases and the annualization of the 1983 pay raise because of a planned reduction of 38 positions in the Bank Board's field examination staff. The reasons for this staff reduction are three-fold. The first and major reason is a reduction in the number of insured institutions which examiners must examine. By March of this year, the number of FSLIC-insured institutions had decreased to 3,256 from 4,039 in December, 1980. Although the total assets of the industry grew during this period overall, our examiners can examine these assets more efficiently when concentrated in relatively fewer institutions. The second reason is that we expect a healthier industry overall in FY 1984, in which fewer institutions will require the kind of intensive, time-consuming scrutiny as in the recent few years. Although the weakest institutions will continue to deteriorate, the healthier associations will be growing stronger. Finally, we expect some time savings as the result of our management efforts to reform the examination process through greater reliance on computer-based analysis and monitoring in our examination offices. The Bank Board believes that the spending requests contained in the budget justification, which was previously submitted to you, are realistic estimates of the amount necessary to enable the Board to carry out its statutory duties to supervise thrift institutions and to promote home ownership.

On a related matter, the Bank Board has submitted to the Subcommittee a proposal to combine what are now two separate budget limitations of its administrative and nonadministrative expenses. The Board believes a combining of the two limitations would provide the flexibility needed to apply more effectively its available resources to changing demands and responsibilities. The Bank Board would continue to perform separate accounting and provide complete budget disclosure on these two areas.

In summary, thrifts have experienced a period of historic losses brought on by inflation and severe high short-term interest rates. While we still have a long way to go before resolving the major problems of thrifts and achieving stability within the industry, I am optimistic about the future of the savings and loan industry. In that context, providing sufficient budget flexibility to the Bank Board is an appropriate method to deal with this time of change and opportunity.

This concludes my statement. My staff and I would be pleased to respond to any questions.

PROPOSAL TO COMBINE BUDGET LIMITATIONS

Senator GARN. Last month you requested that the subcommittee combine your administrative and nonadministrative expense limitations into a single account. You noted that this would provide the Bank Board greater latitude to direct its available resources to rapidly changing demands. As you know, your Appropriations Acts since fiscal year 1952 have carried a limitation on both nonadministrative and administrative expenses.

Why do you now believe that it is necessary to combine these two limitations into a single limitation?

Mr. GRAY. Mr. Chairman, because of my newness to this job, I would like to ask the Budget Officer, Mr. Dennis Pittman, to answer that.

Senator GARN. What have you been doing for 2 weeks? [Laughter.]

Mr. GRAY. And 3 days.

Senator GARN. We understand.

Mr. PITTMAN. Mr. Chairman, we feel that this will give us the needed flexibility to make midyear changes if they occur in the face of rapidly changing demands, particularly as it would relate to changing our resources between our field resources and those in our headquarters staff.

Most formidable in the near term is the continued Washington staff's support that we need for the default prevention activities, as well as the followon implementation now of the Garn-St Germain Act.

Senator GARN. Since receiving your letter, we have discussed this issue with the House subcommittee and have arrived at an understanding that we would provide the Bank Board with the flexibility of transferring up to 10 percent of its resources from one account to another, with the approval of the committees.

Do you believe that that would provide you with sufficient flexibility to meet the changing requirements?

Mr. GRAY. Yes, we do, and we thank you very much for that.

GARN-ST GERMAIN ACT

Senator GARN. Page 13 of your opening statement, could you turn to that and read the first full paragraph for the benefit of the subcommittee?

Mr. GRAY. I would be delighted to, Mr. Chairman. That reads:

> The enactment of the Garn-St Germain Depository Institutions Act on October 15, 1982, was perhaps the most essential tool given the thrift industry, in terms of providing operating flexibility and the ability to respond to rapidly changing economic conditions and to any economic environment. The Bank Board would like to compliment the Banking Committees and the Congress for their leadership and foresight in charting a new direction for the Nation's financial institutions, particularly the thrift industry. In our view, the act is the most important institutional reform legislation in the last 50 years. The Board is confident that this legislation will provide the structural flexibility that associations need to become successful participants in the financial markets and to provide substantial services to the American public.

Mr. Chairman, I also would like to take the liberty of adding several comments I made at my confirmation hearing several months ago before the Banking Committee.

Senator GARN. Before you do that, the reason I wanted you to read that is I wanted my mother to get credit for the statement which she wrote. [Laughter.]

Mr. GRAY. I would like to go on, though, and say at that time I complimented you, Mr. Chairman, and members of the Banking Committee for taking the initiative and providing the leadership in 1981 and 1982 to develop the bill and to assure the enactment of that historic legislation. Without your determination, Mr. Chairman, and the commitment of members of the committee to guide the comprehensive proposal through the legislative process, there would be no such act on the books today.

Those comments are as deeply felt today as when I made them on February 23 of this year.

Senator GARN. I appreciate that. We have been holding oversight hearings on McFadden, Bank Holding Company Act, and others. I guess Senator Lautenberg, who is a new and valued member of the Banking Committee is there every day—freshmen usually are. It is nice. I was, too, when I was a freshman and when I am chairman. In between I was not there all the time. In any event, I guess he was getting a little bit tired of all the compliments about my bill. So I finally had to indicate to him, I said, "Look, I want you to understand, Sena-tor Lautenberg, the compliments will continue as long as I am chairman." [Laughter.] "And if and when that changes, they will stop. So you have to recognize that."

Nevertheless, in the meantime, I appreciate it. I will wear my gold star on my forehead proudly and recognize times will change when they won't be quite as complimentary.

COMPENSATION OF ADVISORY COUNCIL MEMBERS

Section 354 of last year's Depository Institutions Act authorized compensation for members and alternates of the Federal Savings and Loan Advisory Council.

Are you requesting appropriations language in fiscal year 1984 to provide such compensation? If you are, how much do you estimate will be spent on such compensation during fiscal year 1984?

Mr. GRAY. Yes, we are. The maximum cost during fiscal year 1984 is estimated to be $60,000, Mr. Chairman.

MORTGAGE LOANS

Senator GARN. The total dollar volume of mortgage loans made by member savings and loan associations in fiscal year 1982 dropped to $45.5 billion. According to your justification, this was 30.3 percent less than a year earlier and the smallest loan volume since 1975. Your justification goes on to say that loans closed are expected to rise by 80 percent in fiscal year 1983 and an additional 57 percent in fiscal year 1984.

What are the bases for your projections?

Mr. GRAY. First let me say that mortgage interest rates as amended by the Bank Board's data on rates that is offered by lenders on commitments to make 25-year conventional home mortgage loans declined from a peak of 17 to 17.5 percent in 1982 to about 13 percent by early March of this year, the last figures that we have. At the same time, both home sales and housing starts rose as more potential home buyers found themselves able to afford to buy new homes.

New home sales rose from a seasonally adjusted annual rate of about 375,000 the first half of 1982 to about 575,000 in March 1983.

Housing starts did rise from a seasonally adjusted rate of 900,000 units in the January to June period of last year to a 1.7 million unit rate in the first quarter of 1983. The relatively warm winter in some parts of the country, I guess, shifted housing starts earlier in the year than normally is the case. Consequently, the starts may decline somewhat possibly over the next few months. However, we believe that if interest rates remain relatively stable at current levels, housing starts should average in the range of about 1.6 million for 1983 as a whole. I would compare that to the number in 1982, which was 1,040,000, and the year before that was 900,000.

We have our Director of the Office of Policy and Economic Research with us this morning. She may wish to add a comment to that.

Ms. CHAMBERLAIN. No.

INSURANCE RESERVES

Senator GARN. Reserves for insurance losses held by the corporation were $6.5 billion at September 30, 1982. Are you comfortable with the current level of reserves?

Mr. GRAY. Well, on December 31, 1982, the reserves available, according to our figures, to the FSLIC to protect the insured depositors' accounts amounted to about $6.3 billion, which represents an increase of about 2.5 percent over the amount available at the end of the previous year. This increase occurred in spite of the record number of cases which the FSLIC was called upon to resolve during the year 1982.

Given the number of problem cases that are currently anticipated for the coming fiscal year, assuming continuing moderate interest rate levels, the existing level of reserves and the income from them appear to be very adequate to enable the fund to fully satisfy its obligations.

Senator GARN. How much would you like to see in the reserve fund if you just had your choice, without any other constraining factors?

Mr. GRAY. Well, Mr. Chairman, we have discussed that among ourselves, and, frankly, we have not been able to come up with a single satisfactory answer concerning what would be the optimal amount of reserves to hold at any given point in time. But as I say again, we nevertheless do believe that the fund is adequate now to fully satisfy its obligations.

GROWTH IN SAVINGS

Senator GARN. The net inflow of savings to associations is, according to your justification, expected to rise over the next few years. As a result of lower market interest rates and deregulation, net inflow is projected to increase to $37.8 billion in fiscal year 1983 and $56.5 billion in fiscal year 1984. What percent growth would this represent in each of those fiscal years?

Mr. Gray. I would like to ask our Director of the Office of Policy and Economic Research to answer that.

Ms. CHAMBERLAIN. That represents approximately a 12-percent increase this year and about a 13- to 14-percent increase for the following year.

Senator GARN. What would be the growth rate if you excluded the interest credited to accounts for each of those years?

Ms. CHAMBERLAIN. Approximately 3 percent.

SUBMITTED QUESTIONS

Senator GARN. I have no additional discussion questions. We will be submitting some additional questions for the record; as a matter of fact, some 34 pages.

I look forward to working with you, Ed; and those of you who are carryovers, that we worked with before. The cooperation has been extremely good between the subcommittee and the Board. I am certainly happy to see that we have some continuation of the Utah tradition in the form of David Glenn. We are happy to welcome you to your position.

Mr. GLENN. Thank you.

Senator GARN. Thank you very much.

Mr. GRAY. Thank you, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR GARN

MORTGAGE RATES

Question: Last year, you stated that a mortgage interest of 12-13% may release some of the pent-up demand for housing, thus leading to a recovery in housing starts. What is your current assessment of the condition of the housing industry and your prognosis for the near term?

Answer: Mortgage interest rates, as amended by the Bank Board's data on rates offered by lenders on commitments to make 25-year conventional home mortgage loans with a 75-percent loan-to-price ratio, declined from peaks of 17.00-17.50 in 1982 to about 13 percent by early March 1983. At the same time, both home sales and housing starts rose from a seasonally adjusted annual rate of only about 375,000 in the first half of 1982 to about 575,000 in March 1983. Housing starts rose from a seasonally adjusted annual rate of 900,000 units in the January-June period of last year to a 1.7 million unit rate in the first quarter of 1983. The relatively warm winter shifted housing starts earlier in the year than normally is the case, consequently, starts may decline somewhat over the next few months. However, if interest rates remain relatively stable at current levels, housing starts should average about 1.6 million units for 1983 as a whole.

FY '83 PAY SUPPLEMENTAL

Question: In January, you requested a pay supplemental of $1.1 million for the Board's non-administrative expenses. This request was later revised to $900,000. Last month, you notified us that the limitation on the Board's non-administrative expenses could be further reduced by $300,000 for a total reduction of $500,000 for a new revised request level of $600,000. Could you please explain how you were able to make these large reductions in your supplemental request since January?

Answer: The bulk of this saving is due to a lower than expected level of total staffing in our field examination work force. Actual staffing in FY '83 has averaged about 30 positions fewer than the 933 positions previously estimated and authorized for this nonadministrative budget area. In many cases, examiner vacancies have not been refilled because the net overall examination workload has declined. The reduction in work load is due to a consolidation in the number of FSLIC-insured institutions over the past couple of years.

Two-hundred thousand dollars of the reduction in our pay supplemental request were due to a second, unrelated factor. As previously communicated to the Subcommittee's Staff, the Bank Board decided to purchase (capitalized expenditure) in FY '83 rather than lease (annual operating expense subject to limitation) word processors for our twelve district examiners' offices. A lease-versus-buy analysis indicated the cost effectiveness of purchasing in this case. In effect, the $200,000 reduction in lease expense was reprogrammed to satisfy part of the increased cost of personnel compensation arising from last Fall's 4% comparability pay raise. This enabled the Bank Board to reduce its FY '83 pay supplemental request in this nonadministrative budget area.

NUMBER OF INSURED INSTITUTIONS

Question: Your projections indicate a decrease of 300 insured institutions at the end of FY 83 and a further decrease of 200 institutions at the end of FY 84. Since your budget justification was prepared, do you have any more recent estimates of the number of insured institutions at the end of FY 83 and FY 84?

Answer: During the first half of FY 83 (i.e. from the end of September 1982 to the end of March 1983), the number of FSLIC-insured institutions declined by 142 to a total of 3,283. This is generally consistent with the Bank Board's projection of a 300 institution decline for the entire fiscal period. Consequently, no revision to the earlier projections for either FY 83 or FY 84 seems necessary. These were based on the assumption that lower market interest rates would result in an improvement in operating results for thrift institutions, which would reduce the incentive and need for the merger of less successful institutions into more viable organizations.

BUILDING OPERATING EXPENSE

Question: Please submit a list of tenants occupying space in your building. Include the FY '81, '82, '83 and estimated '84 revenue from each tenant in terms of annual revenue and per square foot revenue.

Answer: The requested information is shown on the following two pages.

Senator Garn—Continued

FHLBB

BUILDING OPERATING EXPENSE
(Office Tenants)

Tenant	FY 81		FY 82		FY 83(1st seven months)		FY 84 Est.	
	Revenue	PSF (Annualized)	Revenue	PSF (Annualized)	Revenue	PSF (Annualized)	Revenue	PSF (Annualized)
FSLIC	$132,275	$15.56	$147,608	$17.37	$107,436	$21.67	$195,222	$22.97
Neighborhood Reinvestment Corp. (1)	519,182	17.90	403,489	16.70	403,489	16.70	-	-
Office of Finance	197,389	16.44	199,924	16.67	121,379	17.34	228,886	19.07

Notes: (1) Moved 8/1/82

FHLBB

BUILDING OPERATING EXPENSE
RETAIL STORES

Tenant	FY 81		FY 82		FY 83(1st seven months)		FY 84 Est.	
	Revenue	PSF (Annualized)	Revenue	PSF (Annualized)	Revenue	PSF (Annualized)	Revenue	PSF (Annualized)
Crown Books	$ -	$ -	$46,698	$13.34	$31,500	$15.43	$60,956	$17.43
Frankie Welch	2,576	-	27,705	17.91	14,189	15.72	24,324	15.72
Graffiti Records, Inc.	-	-	12,527	22.82	9,871	23.12	16,922	23.12
Impressions	22,176	15.59	21,228	14.93	12,072	14.55	20,694	14.55
K&K Ladies Wear, Inc.	13,932	15.21	15,587	17.02	9,226	17.27	15,816	17.27
Liberty Gifts	-	-	4,436	25.00	7,763	27.78	13,308	27.78
Liberty Plaza Optical	17,943	14.61	19,152	15.60	10,881	15.19	18,653	15.19
Massey Shoes	-	-	12,951	15.41	18,026	18.38	30,901	18.38
Standard Drugs	-	-	19,248	19.81	22,456	19.81	38,496	19.81
1725 "F" St., Inc.	-	-	231,608	16.76	116,629	14.00	245,000	17.73

MINORITY-MANAGED-AND-OWNED ASSOCIATIONS

Question: How many insured associations currently qualify as minority-managed-and-owned?

Answer: There are currently 74 savings and loan associations that qualify as minority associations. The association distribution is as follows:

Ethnic Group	No.	Assets
Black	36	1,047,049,222
Hispanic	26	942,243,418
Asian American	11	828,356,285
Women	1	20,017,280

Question: I would expect that these institutions are more severely affected by the recent economic difficulties in the entire financial community. What do you see as the future for these institutions and what steps is the Board taking to assist such minority institutions?

Answer: Minority associations, like the rest of the thrift industry, have suffered through the many recent changes and interest rate fluctuations. The number of minority associations has dropped from a high of 84 in 1979 to the current level of 74. During this period, 20 associations were merged, were acquired by other associations or lost control to non-minority ownership. Also during this period, 10 new minority associations were established.

Current Bank Board efforts to assist minority associations include:

- Offering technical assistance and training through the Office of Community Investment.
- Revising our regulations and procedures to assure that minority associations receive all the preferential treatment prescribed in the Garn - St Germain legislation.
- Establishing a Bank Board minority task force to give special consideration to minority association problems and concerns.

NEW MORTGAGE INSTRUMENTS

Question: Do you have statistics for 1982 which indicate, for member associations, how many new standard fixed rate long-term loans were issued compared to the number of alternative mortgage instruments used?

Answer: Information collected by the Bank Board from a sample of savings and loan associations indicates that about 43 percent of all conventional mortgage loans made last year by these institutions for purchasing single-family homes had provision for rate variation. The remaining 47 percent had a fixed rate for the term of the loan.

Question: On September 30, 1980, the Bank Board proposed regulations for the creation of the Shared Appreciation Mortgage (SAM). Basically, a Shared Appreciation Mortgage is a mortgage loan in which the borrower agrees to share the property's appreciation with the lender in return for an interest rate below that on a standard mortgage. What has been the response to the proposal? Also on September 30, 1980 the Bank Board proposed regulations for a Graduated Payment Adjustable Mortgage. The GPAM combines the Graduated Payment Mortgage (GPM) with the Re-negotiable rate mortgage (RRM). The GPM is designed to allow young home buyers to increase their mortgage payments as their incomes increase. The RRM allows lenders and borrowers to renegotiate interest rates based on prevailing market rates. Have you received a favorable response to the GPAM proposal?

Answer: In August 1982, the Bank Board adopted a comprehensive revision of its real estate lending regulations. These regulations permit a wide array of mortgage forms, and the only substantive limitations are complete disclosure and the requirement that an index be used in conjunction with adjustable mortgages.

These regulations permit shared-appreciation mortgages subject only to the general requirements applicable to all mortgage loans. The complex regulatory scheme of the proposed shared-appreciation mortgage regulations of September 1980 was not adopted. Graduated Payment Adjustable Mortgages are also permitted subject to the condition that payments must be recast to the fully amortizing level before the end of ten years and no less frequently than every five years thereafter.

Available information indicates general reaction to the August regulatory change has been favorable.

WORKLOAD

Question: In your FY '82 hearing, I noted that in several places in your budget justification you discussed the workload associated with the various functions performed by the Board, but the actual workload data was not presented in these sections, instead the sections described the work to be performed. At that time, I stated that I would like to see the actual work performed under each of the activities and an indication of where the work units have changed from those estimated in the previous budget request. Your current justification is substantially improved. What additional programs still lack workload data and when will such data be available?

Answer: Quantitative workload data was not reported for our Congressional Relations Office in the FY '84 budget justification. This office will identify its functions in quantitative terms so that workload can be reported for 100% of our offices in the next budget justification.

ADVANCES TO MEMBERS

Question: Advances made to member institutions during Fiscal year '81 aggregated $52.2 billion, an increase of $17.9 billion over the $34.3 billion advances made during 1980. The balance outstanding aggregated $64.3 billion, an increase over the previous fiscal year of $20.1 billion or 46%. What was your experience for FY '82?

Answer: Advances made to member institutions during FY '82 aggregated $45.5 billion, a decrease of $6.7 billion over the $52.2 billion advances made during 1981. The balance outstanding aggregated $67.6 billion, an increase over the previous Fiscal Year of $3.3 billion.

Question: What are your projections for FY '83?

Answer: The projection for advances made for 1983 is $41.2 billion, a decrease of $4.4 billion; with a balance outstanding of $65.2 billion, a decrease of $2.4 billion or 4%.

NUMBER OF MEMBERS AND ASSETS

Question: Could you please provide for the record the table appearing on the top of page B-3 of your budget justification and page B-4 of your justification?

Answer: The tables follow:

Number and Assets of Members of the Federal Home Loan Bank System

Fiscal Year-End	Number	Assets (Billions)
1950	3,898	$ 15.4
1955	4,272	34.0
1960	4,674	65.8
1965	5,043	128.6
1970	4,714	173.3
1975	4,310	333.7
1980	4,250	656.6
1981	4,108	717.6
1982	3,636	747.5
1983*	3,320	788.3
1984*	3,105	856.1

*Estimate

Mortgage Loans Made by Member Savings and Loan Associations

Loans made by member savings and loan associations for the years indicated are shown in the following table:

Fiscal Year	S&L Members of FHLB System (In Millions)	All Insured Associations
1950	$ 4,202	$ 3,709
1955	10,298	9,820
1960	14,193	13,916
1965	23,789	23,473
1970	18,459	18,042
1975	38,862	38,642
1976	66,461	66,045
1977	98,900	98,343
1978	109,206	108,636
1979	103,826	103,288
1980	71,371	71,021
1981	65,127	64,813
1982	45,387	45,172
1983*	81,800	81,400
1984*	128,300	127,700

*Estimate

BUDGET DIVISION

Question: On page C-71 of your budget justification, you show eight FTE for your Budget Division under your original FY '83 estimate. Seven of these FTE are full-time permanent positions and one is other than a full-time permanent position. Your FY '83 operating plan and your FY '84 estimate show eight full-time permanent positions and no other than full-time positions. Was the employee in the other than full-time-time permanent position transferred to a full-time status during FY '83?

Answer: No. The person with the other than full-time work schedule terminated employment with the Agency during FY '82, after the original FY '83 budget estimate had been submitted. The vacancy was subsequently filled by a new employee with a full-time permanent appointment.

NET WORTH CERTIFICATES

Question: The Depository Institutions Act of 1982 established a program to allow state- and FSLIC-insured institutions to improve their net worth by obtaining promissory notes in exchange for capital instruments, known as "net worth certificates" from the FSLIC. You note in your budget justification that an automated system will be required to determine an institutions' eligibility to participate in this program and to calculate the amount of assistance and establish an accounts receivable for ultimate payment. What is the current status of this automated system and when will it be fully operational?

Answer: The Bank Board's automated system for determining eligibility and calculating an estimated amount of net worth assistance is operational now. Data from this system is currently being retrieved through remote terminals in Bank Board and Federal Home Loan Bank offices across the country as well as in Washington.

Bank Board staff is currently working on an additional automated accounting system with respect to net worth certificates and FSLIC notes, including accounts receivable processing. The Bank Board expects this system to be operational later in the summer.

OFFICE OF COMMUNITY INVESTMENT WORKLOAD

Question: Your originial FY '83 budget estimate contained 15 FTE for your Office of Community Investment. Your FY '83 current operating plan contains only 9 FTE for this office. The workload data, on Page C-48 of your budget justification, shows a decrease between FY '82 and FY '83 as might be expected. To what extent does the FY '83 and FY '84 workload data represent a level of activity that will fulfill the objectives of the office?

Answer: The table on page C-48 of the budget justification shows only that share of the workload that has been retained in the Bank Board's Office of Community Investment (OCI). Following last year's reduction in OCI's staffing, portions of its workload were delegated to the Community Investment Officers at each of the Federal Home Loan Banks. Taken together, the workload activities of OCI and the Banks will continue to fulfill the program objectives.

MINORITY AFFAIRS OFFICE

Question: In describing the activities of your Minority Affairs Office, you present several tables containing workload estimates for FY 82, FY 83 and FY 84. These tables indicate a sharp increase in activity between FY 82 and FY 83 in areas such as the number of reports required, the number of complaints filed, and the number of evaluations conducted. What accounts for this rather dramatic change between FY 82 and FY 83?

Answer: The Minority Affairs Office - MAO - was established to advise and counsel the Chairman and the Bank Board on a broad range of policy matters relating to the development and the implementation of equal employment opportunity - EEO. What accounts for the increased activity is the development of a more streamlined methodology in MAO operations. This is being accomplished through the use of a more efficient automated information collection, retrieval, and management system.

The number of reports increased for the following reasons:

- The MAO designed a new and quicker information collection and retrieval system which utilizes a more technologically advanced word processor. The system will be fully operational in 1983 and will facilitate a faster and more thorough assessment of the status of females and minorities in the Agency work force. The system will allow the MAO to monitor and evaluate in a more timely and accurate manner the work force trends of all personnel transactions on a biweekly, monthly, and quarterly basis. It will also accelerate our efficiency and enhance our capability to report accomplishments and make recommendations to management officials on the actions required to improve the Bank Board's overall affirmative action and EEO performance. In addition, the system will be more efficient and effective in terms of reducing staff time presently used to manually assess, analyze, and evaluate voluminous EEO statistical data reports.

- In late FY 82 the Federal Women's Program-FWP- was revitalized. District coordinators were appointed to this collateral duty position and trained in the necessary program requirements. They were given the responsibility for developing and implementing a FWP for their respective districts. In FY 83, they began reporting their activities on a quarterly basis.

- The MAO is planning to revitalize the Hispanic Employment Program in FY 83. In order to assure the success of this program the MAO will use a quarterly report from district coordinators to measure progress and recommend courses of action.

- In FY 82 the National Recruitment Program - NRP - was created in accordance with Federal Equal Opportunity Recruitment Program guidelines issued by the Office of Personnel Management. The NRP was implemented in an effort to increase female and minority representation in the Agency work force. Recruitment visits are conducted at targeted historically Black and Hispanic colleges and universities, and at colleges and universities with a significant enrollment of women. A report on each visit is maintained to reflect the number of students contacted, the names of students interviewed and provided application packages. This information is then used to track the number and source of students who submit applications, conduct other follow-up activities, and plan future recruitment actions.

The number of complaints filed in FY 82, FY 83 and FY 84 actually dropped from the number usually filed on an annual basis. An explanation of this is as follows:

- Prior to FY 1982 between 10 and 12 formal EEO complaints were filed annually at the Bank Board. To reduce the number of complaints filed each year the MAO initiated, in FY 1982, an EEO training program for managers and supervisors. This training focused a great deal of attention on the preventive techniques of avoiding management decisions and actions which give rise to EEO complaints. The training had a positive impact on the reduction of complaints from 12 filed in FY 81 to only five filed in FY 82 or a 58 percent reduction. For instance, while the tables show that five complaints occurred in FY 82 and that seven are projected for FY 83 and FY 84, complaint totals are still far below the 10 to 12 complaints filed at the Agency prior to FY 82.

- To assure that maximum efforts are made to continue to reduce complaints and maintain adequate EEO awareness, the training mentioned above is projected to be repeated in FY 84. This will give those managers and supervisors who were previously trained as well as new managers and supervisors an opportunity to remain current on EEO regulations, preventive techniques, and trends.

- Additionally, a continuous effort is made to resolve EEO complaints at the informal counseling or pre-complaint stage. For example, conference calls are conducted each month with headquarters and district EEO counselors for the purposes of sharing counseling experiences, techniques, information, etc. Regular training is also provided to counselors to ensure that they are kept up-to-date and knowledgable of Equal Employment Opportunity Commission regulations governing the complaints system.

The EEO self evaluations mentioned in the tables will be conducted when the guidelines are completed by the MAO in June 1983. The evaluations will be used as a management tool to assess the EEO climate and improve overall EEO efforts throughout the Agency.

Question: What was the FTE assigned to this Office in FY 82 and FY 83?

Answer: Six - 6 for both FY 82 and FY 83.

Question: What is your request for FY 84?

Answer: Six - 6.

APPLICATION EVALUATION AND PROCESSING WORKLOAD

Question: In April 1982, the Office of District Banks and the Office of Industry Development were combined into a single office designated as the Office of District Banks. Prior to the reorganization, the Office of Industry Development and the Office of District Banks had a combined total of 46 positions. As a result of the reorganization, the combined total is now 36 positions. Has your average application processing and evaluation time increased as a result of the decrease in positions?

Answer: No. The Office of District Banks was able to reduce its application evaluation staff, without an increase in application processing time, due to the Bank Board's recent efforts to decentralize and streamline the application evaluation process. Several actions implemented by the Board have significantly reduced the volume of applications which require analysis by the Office of District Banks, and expedited procedures for evaluating applications at the District Banks and in Washington. Some of the major actions taken by the Board during the past year designed to expedite processing of thrift institution applications include the following:

> 30-Day Notice Procedure - The Board established a new procedure designed to ensure processing of certain routine types of applications in 30 days. Under the Board's 30-day notice procedure, applications that meet pre-established criteria are approved automatically 30 days after the application is filed at the District Bank, while applications that do not qualify for automatic approval require specific FHLBB action. A 30-day notice procedure has been established for voluntary merger, branch, change of office location and change of corporate title applications.
>
> Increased Delegation to District Banks - For those applications that require specific FHLBB approval, the Board has made an on-going effort to decrease application processing time by delegation of the Board's decision authority to the District Banks. The District Banks currently have authority to act on a broad range of thrift institution applications.
>
> Elimination of Application Requirements - Whenever possible, the Board has attempted to eliminate application requirements that the Board believes no longer serve the Board's regulatory or supervisory goals. A recent example of an application that was eliminated by the Board is approval of forms for certificates of deposit.

The results of the processing changes described above are evidenced by a comparison of application volume for the Office of District Banks and the District Banks during FY'82 and the first half of FY'83. During the first half of FY'83, 91% of all voluntary thrift mergers were approved at the District Bank level, compared to 70% for FY'82. Additionally, 96% of all thrift branch applications and 86% of all other applications types processing during the first half of FY'83 were decided at the District Bank level.

Question: What goals have you established for each of the various actions required by the Office of District Banks.

Answer: In its recent efforts to streamline application processing procedures, the Board has been working towards three basic goals: first, to ensure that the FHLBB's application requirements do not place an unreasonable or unnecessary burden on thrift institutions; second, to devise procedures that will ensure processing of routine applications within 30 days; and third, to provide for expeditious processing of all applications at both the Washington and District Bank level. The Board intends to continue its efforts to achieve these goals during the remainder of FY'83 and FY'84.

ASSETS AND NET WORTH OF CHARTERED FEDERAL SAVINGS AND LOAN ASSOCIATIONS AND FEDERAL SAVINGS BANKS

Question: The table on Page C-27 of your budget justification shows that while the assets of Federal Associations and Banks increased during FY 82, their net worth showed a decrease. Can you provide an estimate of the change in assets and in net worth expected during FY 83?

Answer: The Bank Board expects both assets and net worth of Federal savings and loan associations and savings banks will increase in FY 83. Assets should rise because of better deposit flows stemming from lower market interest rates, authorization of the money market deposit account by the Garn-St Germain Act, and general deregulation. Net worth should increase because of an improvement in earnings resulting from the decline in market interest rates, the inclusion of appraised equity capital in net worth as a result of a regulatory change made last year, and the issuance of net worth certificates pursuant to the Garn-St Germain Act. Estimating assets and net worth of Federal institutions separately from assets and net worth of state-chartered institutions is especially difficult because of the potential for change in charter by existing institutions. It seems probable, however, that the FY 83 increase in regulatory net worth for Federal institutions will be in the $2.2 - 2.6 billion range and the increase in assets in the $25.0 - 30.0 billion area.

FEDERAL HOME LOAN BANK'S OPERATING HIGHLIGHTS

Question: During FY '82, assets for the Federal Home Loan Banks increased by $6.1 billion, while liabilities, consisting primarily of consolidated obligations, increased by $5.4 billion. What are your projections for FY '83 and FY '84?

Answer: A decrease of $2.1 billion in assets and a decrease of $2.9 billion in liabilities is projected for FY '83. For FY '84 a decrease of $.1 billion in assets and a decrease of $1.0 billion in liabilities is projected.

TRAINING

Question: Your FY '84 budget estimate includes $220,000 for training. How does this compare to your FY '83 level?

Answer: The FY '83 level for training is $200,000.

Question: What are your estimates of the number of employees that will receive training during FY '83 and FY '84?

Answer: It is estimated that approximately 450 employees funded from this administrative portion of the Bank Board's budget will receive training during each of fiscal years 1983 and 1984.

FUNDING FOR THE NEIGHBORHOOD REINVESTMENT CORPORATION

Question: Are there funds or services provided in your FY '84 budget for the Neighborhood Reinvestment Corporation during FY '84?

Answer: No. There are no funds or services provided for the Neighborhood Reinvestment Corporation in the Bank Board's FY '84 budget.

Question: How much was included in FY '83 for the Corporation?

Answer: No funds are included in the Federal Home Loan Bank Board's budget for the Corporation in FY '83, however, the twelve Federal Home Loan Banks are collectively providing total funds estimated at $409,000 in FY '83 for the Neighborhood Reinvestment Corporation.

COMPUTER CONTINGENCY ACCOUNT

Question: This year you are requesting $50,000 for a computer contingency allowance. These funds would be used if your in-house computer has extensive down time and you are required to purchase time elsewhere. How much did you budget in FY '81, FY '82 and FY '83 for this "computer contingency"?

Answer: Fifty-thousand dollars was budgeted in each of fiscal years '81, '82 and '83 for "computer contingency."

Question: How much was actually used in each of those fiscal years?

Answer: None of this contingency was needed over the past three years and none was expended.

Question: How was the remainder allocated?

Answer: The unused $50,000 amount in each of the past years was not used for any other expense purpose. It is part of the savings the Board has shown in each of the fiscal years as reflected most recently on page C-4 of our budget justification.

RENT, COMMUNICATIONS AND UTILITIES

Question: In FY '82, you obligated $530,190 for rent, communications and utilities. In FY '84, you are asking for $696,000. This represents a 31% increase over the FY '82 level. Why is this large increase necessary?

Answer: The increase is a result of additional numbers and higher rental costs for various types of leased equipment. Terminals leased increased from 70 in FY '82 to 88 in FY '84 at an increased cost of $30,000. Word Processing machines leased in FY '82 were 43 and for FY '84 are 56 at an increased cost of $104,000.

Although the number of copying machines now being leased has not increased, the variable per copy costs associated with the operation of these machines (i.e. the usage costs and increased number of copies) has resulted in an additional $32,000 for FY '84 over our FY '82 actual expsense.

TRAVEL AND TRANSPORTATION OF PERSONS

Question: On page C-11 of your budget justification, you present a table containing your travel and transportation of persons expenses for FY '82 through FY '84. Your Office of Community Investment shows a decrease in travel from your FY '83 request to your current estimate for FY '83 of $22,000. Your Office of District Banks shows a decrease of $25,000 from your original FY '83 request to your current estimate for FY '83. Although each of these offices was subject to a staff reduction in FY '83, will you be able to achieve these rather large savings in travel and what travel activities will be eliminated in these offices?

Answer: The reduction in FY '83 travel budget for the Office of District Banks is a direct result of an internal Bank Board reorganization last year. During 1982, the FHLBB's former Office of Industry Development and Office of District Banks were combined into one organization, and the combined office's staff was reduced from 46 to 36 positions. The Office of District Banks' current FY '83 travel budget of $25,000 represents a 50% decrease from the combined travel budget for the two former offices. The Office should be able to achieve its goals with the reduced travel budget for two reasons. First, travel associated with industry and District Bank meetings previously attended by representatives of both former offices will be substantially reduced since representatives of the combined office only need attend. Second, travel associated with training will be decreased as a direct result of the reduction in the combined Office's staff.

One of the primary responsibilities of the Office of Community Investment was administering and monitoring the Community Investment Fund. Our projections indicate a reduction in activities under this program as it phases out during FY 1983 and FY 1984. There will be a resulting decrease in travel cost.

FTE POSITIONS

Question: On Page C-8 of your budget justification, you present a listing of your FTE positions. Why did you find it necessary to increase the FTE in your Office of General Counsel from your planned FY '83 level of 94 to your current FY 83 estimate of 98?

Answer: The increase was necessary due to the continued growth during the past year in the number of new FSLIC assistance cases requiring full-time legal services, resulting litigation from thrift failures and implementation of the massive changes resulting from the October 15, 1982 enactment of the Garn-St. Germain Depository Institutions Act of 1982.

Question: Why have you reduced the number of FTE in your Office of Community Investment from the planned FY '83 level of 15 to your current estimate of 9?

Answer: The problem case work load mentioned in the answer to the preceding question was the primary reason for the reduced staffing of the Office of Community Investment. It was necessary for the Board to redirect its available resources where the concerns were paramount. At the same time, it was felt that the Community Investment program had developed to the point where several of its functions previously administered by the Washington office could now be delegated to the Community Investment Officers located at the twelve Federal Home Loan Banks.

CONTRACTUAL SERVICES AND SUPPLIES

Question: In FY '82, you obligated $4,378,214 for contractual services and supplies. In your FY '83 budget, you requested $5,788,000 or an increase of 32%. In your revised FY '83 plan, you are now requesting that this amount be reduced to $5,394,000 or $394,000 less than you originally requested. In FY '84, you are requesting $5,852,000 or an additional increase of 8.5%. How are you able to achieve the rather large decrease in your operating plan from your original FY '83 request level?

Answer: The decrease is being achieved principally in the following areas:

1. Programming and Data Conversion - More projects are being performed by our in-house staff this year rather than contracting out.

2. Special Studies - There has been a decrease of about $88,000 in the planned spending for such studies performed under contract.

3. Training - The Board's administrative training budget was revised downward to be more in line with the FY '82 actual training expenses.

Question: Why are you now requesting an additional 8.5% increase in FY '84 for contractual services supplies?

Answer: Aside from general price level increases in most expense categories, larger than average increases are projected in the areas of telecommunications, document copying costs, and express mail delivery service. Much of this is increased volume related to the present industry problem case workload and is expected to continue into FY '84.

Question: Why is it necessary for you to increase your travel and transportation of persons expense by 34% over the FY '82 level?

Answer: Most of this increase - 26% occurred between FY '82 and FY '83 when there was an increase in volume as well as the unit cost of travel. The increase from our current FY '83 estimate and the FY '84 request is approximately 8%. This is due to an expected modest increase in contract air fare prices, the 4% Federal excise tax now levied on air transportation including that purchased by Federal agencies, and an expected increase in the number of geographical areas for which reimbursement of expenses higher than standard rate per diem will be authorized. Despite these factors, the Agency's estimated FY'84 travel expense is $75,000 less than the original FY '83 request approved by the Congress.

FORMAT OF SUMMARY TABLES

Question: On page C-4 of your budget justification you present a summary table comparing various administrative expenses of the Board and staff offices for four different budget plans. The next to the last line in that table under the current FY '83 estimate, contains your proposed pay supplemental request for FY '83. Unfortunately, the funding levels above that line reflect your current operating plan for FY '83 and the anticipated pay supplemental. Could you please prepare for the record another table containing the same information as in this present table with the 1983 current estimates column not containing the proposed pay supplemental and then add an additional column which just shows the distribution of these additional pay costs?

Answer: The table in the requested format is on the following page.

Question: In the future, would you please change your table format to incorporate this additional column?

Answer: Future budget justifications will reflect the revised format.

Senator Garn—Continued

BOARD AND STAFF OFFICES: SUMMARY TABLE OF EXPENSES

		1983				
Description	1982 Actual	Budget Estimate	Current Estimate	Proposed Pay Supplemental	1984 Estimate	Increase or Decrease (-)
Full-Time Equivalent Positions.........	535	544	533	533	533	-0-
Personnel Compensation......	$15,741,376	$16,390,000	$16,590,000	$ 445,000	$17,305,000	$ 270,000
Personnel Benefits..	1,515,658	1,570,000	1,598,000	205,000	1,882,000	79,000
Sub-Total....	17,257,034	17,960,000	18,188,000	650,000	19,187,000	349,000
Contractual Services and Supplies.......	4,378,214	5,788,000	5,394,000	-0-	5,852,000	458,000
Acquisition of Capital Assets.....	818,468	682,000	778,000	-0-	781,000	3,000
Total Gross Expenses.....	22,453,716	24,430,000	24,360,000	650,000	25,820,000	810,000
Less Reimbursements	- 34,308	- 70,000	-0-	-0-	-0-	-0-
Total Net Expenses....	22,419,408	24,360,000	24,360,000	650,000	25,820,000	810,000
Estimated Savings...	300,592	....	....	....	....	....
Actual, Authorization, & Estimate....	$22,720,000	$24,360,000	$24,360,000	$ 650,000	$25,820,000	$ 1,460,000

STAFF REDUCTION

Question: Your FY 84 estimate of $67,635,000 represents a net decrease of $305,000 from the current FY 83 estimate of $67,940,000. Your budget justification notes that this net decrease is primarily the result of anticipated staff reductions in the examining staff of the Office of Examinations and Supervisions - District offices. How were you able to achieve these reductions in your examining staff without affecting your ability to monitor the industry?

Answer: Staff reductions are in the field and may be achieved without adversely affecting the Board's ability to monitor the industry because the healthier state of the industry will allow for less frequent, less time-consuming examinations and because examination reforms, which include the use of continuous computer financial monitoring, will allow examiners to more easily detect and zero in on emerging problems resulting in less on-site examination time and more office-based analysis.

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION RESERVES

Question: Reserves for insurance losses held by the Corporation were $6.5 billion at September 30, 1982. What is your expectation for FY '83?

Answer: We project that FSLIC's total insurance reserves at fiscal year end '83 will approximate $6.508 billion.

Question: What does each of these reserve levels represent as a percent of insured assets?

Answer: The percent of total FSLIC reserves to assets and total insured deposits of insured member institutions at fiscal year end '82 and '83 are projected as follows:

YEAR-END	FSLIC RESERVES (Billions)	ASSETS (Billions)	RESERVES/ ASSET RATIO	INSURED DEPOSITS (Billions)	RESERVES/ DEPOSITS RATIO
FY -1982	$ 6.494	$ 683.3	.95 %	$ 540.9	1.25%
*FY -1983	$ 6.508	$ 720.9	.90 %	$ 578.8	1.17%

*Estimated

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION EXPENSES

Question: The expenses for the Federal Savings and Loan Insurance Corporation in FY '83 was $153,837,000. Your budget justification indicates that your expenses in FY '84 are estimated to be $191,750,000. Could you please explain the need for a 24% increase in expenses during FY '84?

Answer: The increase is the estimated amount of interest expense which the Federal Savings and Loan Insurance Corporation will pay during FY '84 on the promissory notes it has issued as a form of capital assistance to insured institutions. These notes are exchanged for Income Capital Certificates and, most recently, Net Worth Certificates issued by qualifying institutions.

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION TRAVEL AND TRANSPORTATION OF PERSONS

Question: Your FY 83 estimate for the travel and transportation of persons for the Federal Savings and Loan Insurance Corporation shows an increase of 25% over the FY '82 actual level. For FY '84, you are requesting a further increase of 20%. This will result in an overall increase of 52% since FY '82. In your explanation of that increase, you state that it is attributable to "increased transportation costs". Have transportation costs increased 20% since FY '83?

Answer: The additional estimated expense reflects the increased cost for commercial air fares, the 4% Federal excise tax now levied on air transportation, and the expected volume of travel needed by Federal Savings and Loan Insurance Corporation officials to resolve problem cases of insured institutions.

INSURANCE CLAIMS

Question: Since its inception through September 30, 1982, the insurance corporation has had a total of 195 settlement claims. Losses, including provision for losses, have amounted to $1,672,600,000 through September 30, while actual losses totaled $1,051,100,000. Could you please bring us up-to-date since September 30 in terms of additional claims, additional provisions for losses, and actual losses?

Answer: Since September 30, 1982 and through April 30, 1983, the FSLIC has processed 22 assisted mergers and acquisitions involving 32 problem savings and loan associations. In addition, 3 insured institutions were placed in receivership for purposes of liquidation. Losses and provisions for losses for these 35 insurance settlement actions will approximate $221.4 million.

AVERAGE SIZE OF INSURED ACCOUNT

Question: The table on Page F-7 of your budget justification indicates that the average size of an insured account has not changed appreciably since FY 80 and you do not estimate any significant change through FY 84. What are the implications of this relative level of stability in the size of insured accounts for savings and loans?

Answer: The recent stability of the average account size at FSLIC-insured associations to a large extent reflects the nationwide authorization of NOW accounts. Since such transaction accounts are typically small, growth in the number of such accounts has tended to offset the rise in average balance in other types of accounts. The introduction of transaction accounts has tended to increase association operating costs, since they are more costly to service than savings accounts and certificates. On the other hand, the ability to offer transaction accounts increases the ability of associations to compete for customers.

Data on the average size of account in December 1982 that only recently became available indicates that the Bank Board projection of average account size for FY 83 and FY 84 is probably too low. The introduction of the ceiling-free "money market deposit" account mandated by the Garn-St Germain Depository Institution Act of 1982, seems to have resulted in more consolidation of small accounts than had been anticipated.

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION CONTRIBUTIONS AND PROVISIONS FOR CONTRIBUTIONS TO INSURED INSTITUTIONS

Question: Could you please explain the decrease between your FY '83 estimate for "Contributions and Provisions for Contributions to Insured Institutions" and your FY '84 estimate for the same item contained on page F-3 of your budget justification?

Answer: The rather precipitous drop in estimated expenditures from 1983 to 1984 results from several factors.

First, 1983 estimates assumed that the carryover of insolvent institutions from 1982 (in excess of 100 at that time) to 1983 would all be disposed of during FY 1983. The rate of failures projected to occur in FY 1983 and FY 1984 dropped to 11 in 1983 and 14 in 1984. This dramatic decrease in projected failures, resulted from three factors, all of which were included in forecasting expenditure levels:

1) substantially lower interest rates;
2) Capital assistance under Garn - St Germain; and,
3) the Bank Board's appraised equity capital regulations.

Revised estimates since the Budget Justification was prepared, however, indicates that our 1984 estimates may have been optimistic. We now project such expenses for 1984 at approximately $ 463 million.

RENT POSTAGE CHARGES

Question: Your request for postage in FY '83 was $315,000. Your operating plan in FY '83 reflects the need for $405,000. Your FY '84 estimate is for $330,000. What was the reason for the relatively large increase in your FY '83 operating plan and the subsequent decrease in FY '84?

Answer: Agencies' postal expenses are based on mail count samples taken during the year under a schedule and directions issued by the U.S. Postal Service. We were directed to take our final sampling for FY '82 very late in that fiscal year - September. The FY '82 accounts closed before the results of that sampling could be expensed and accrued for that fiscal year. This carryover cost is being paid in FY '83. This occurrence accounts for the unusually large amount in FY '83.

EXAMINATION WORKLOAD

Question: A review of the examination workload table contained on Page E-3 of your budget justification indicates that in FY 82 you completed 1,802 supervisory examinations of Federal and State associations. In FY 83, you expect to complete 1,700 such examinations and in FY 84 1,100 such examinations. What number of examinations do you consider appropriate for the Board to conduct on an ongoing basis?

Answer: The number of examinations conducted is entirely dependent on the health of the industry. The Board conducts as many examinations as are needed to ensure safe and sound operating policies and procedures. Because a healthier industry is predicted in FY 84, fewer examinations are anticipated.

OFFICE OF EXAMINATIONS AND SUPERVISION - DISTRICT OFFICES

Question: Page E-2 of your budget justification contains a table displaying the FTE for your district office positions during FY 82, FY 83 and FY 84. In FY 82, you had 917 FTE positions. Your estimate for FY 83 was 933 positions, while your estimate for FY 84 is 891 positions. You note that the FY 82 to FY 83 increase is a result of workload requirements arising under the Garn-St. Germain Depository Institutions Act of 1982. You further note that because of decreasing workload in other areas, and "management reform initiatives", the Bank Board is proposing to carry out these new requirements with fewer FTE in FY 84. What was your original request to OMB for FTE in FY '84?

Answer: The original request was for 900 FTE positions.

Question: Could you please describe the specific areas where decrease in workload is likely to occur?

Answer: The decrease in workload will be in the number of field examinations conducted.

In December 1980, there were approximately 4,000 insured institutions. Due to mergers and liquidations, this figure had dropped to under 3,300 at December 1982. Though the average asset size of FSLIC-insured institutions has increased as a result of mergers, the average time to complete an examination has not increased proportionately. This is because existing insured institutions are, overall, more healthy now than in recent years and less time is thereby required to conduct an examination.

Question: Could you please describe the specific management reforms initiated during FY 83 that would result in a need for fewer FTE in FY 84?

Answer: The primary management reform which has contributed to the need for fewer FTE positions in FY 84 has been the initiation of a continuous computer financial monitoring system in the field offices. This reform is currently being tested in Wisconsin. All field offices, however, are equipped for this function and if the pilot proves successful, all field offices will expand their now limited procedures to encompass the entire computer monitoring process within the next two fiscal years. The system will allow the field offices to schedule examinations immediately upon detection of an emerging problem rather than waiting a requisite number of months between exams before scheduling another. Additionally, the system will allow for flexibility in tailoring the scope of an examination to fit each individual institution. Substantial acceleration in delivery of the examination findings to supervisory personnel should result. On-site examination time should decrease while more in-depth, office-based analysis results.

NATIONAL CREDIT UNION ADMINISTRATION

STATEMENT OF EDGAR CALLAHAN, CHAIRMAN

ACCOMPANIED BY:

WILLIAM POLING, BUDGET OFFICER
CHARLES FILSON, PRESIDENT, CENTRAL LIQUIDITY FACILITY

BUDGET REQUEST

Senator GARN. Could we please have the witnesses for the National Credit Union Administration come up.

The National Credit Union Administration Central Liquidity Facility is a mixed-ownership Government Corporation managed by the National Credit Union Administration Board. It is owned by its member credit unions who contribute all of the capital in the form of shares. The purpose of the facility is to improve the general financial soundness of credit unions by meeting their liquidity and stabilization needs.

This year you are requesting a $600 million borrowing authority and a limitation of $850,000 on your administrative expenses.

Please go ahead with your statement.

Mr. CALLAHAN. We will be happy to submit to the committee the brief summary of our opening statement.

Let me just say that what we are asking for, as you have mentioned, Mr. Chairman, is that the borrowing limit remain at $600 million, that the administrative expenses be further reduced to $850,000, which is down 35 percent from last year's request, and finally, all the help we can get to get CLF tax exemption through appropriate legislation when the timing is right, and any support we can get so that IRS could, perhaps, give us a favorable opinion in the short term. We estimate our tax liability to be as much as $400,000 this coming year if we do not receive that relief.

I would like to introduce the President of the Central Liquidity Facility, Chip Filson, who is here on my left; and our Budget Officer from the NCUA, Mr. Bill Poling.

Senator GARN. Thank you.

[The statement follows:]

PREPARED STATEMENT OF EDGAR CALLAHAN, CHAIRMAN

Mr. Chairman, members of the subcommittee, I am pleased to be here today to discuss the fiscal year 1984 appropriation request for the National Credit Union Administration Central Liquidity Facility. Accompanying me are Mr. Charles Filson, the President of the Central Liquidity Facility, and Mr. Bill Poling, the Budget Officer for the National Credit Union Administration.

For fiscal year 1984, we are requesting that the borrowing authority for the CLF remain at $600 million and that the administrative expense limitation be further reduced to $850,000. I would again point out that all capital for the CLF and all funds for administrative expenses are provided solely by credit unions.

While the actual borrowing in fiscal year 1982 did not approach the maximum $600 million authority, we believe this limit continues to be appropriate because:

1. Loan demand typically fluctuates very widely. We must always be prepared to meet such swings which ranged during the last 12 months from a low of $90.2 million to a high of $147.9 million.

2. This borrowing authority is the source of confidence for the private system because it acts as the necessary backstop to the intracredit union and private market liquidity systems.

3. Contingent on discussions with the Corporate Credit Union System later this month, we believe there is a strong possibility that CLF membership will be expanded to cover virtually all credit unions in the not-too-distant future.

Mr. Chairman, I would emphasize that an important factor in the CLF's financial and operational success is its working relationships with the private sector. Unlike the other federally authorized lenders, the CLF works with, and relies heavily on, the Corporate Credit Union System. About 90 percent of the natural person credit union membership in the CLF is through the 13 corporate agents. The CLF, in turn, can uniquely provide the necessary confidence to the entire credit union system due to our ability to borrow funds from the Federal Financial Bank and due to NCUA's ability to provide a coordinated supervisory effort when sudden events necessitate borrowing.

Finally, Mr. Chairman, I want to call the subcommittee's attention to the tax status of the CLF.

Due to an oversight in the enactment of title XVIII of Public Law 95-630, the NCUA Central Liquidity Facility was established within NCUA as a mixed ownership Government corporation but without a specific tax exemption. The efforts to obtain this exemption have been somewhat frustrating. We have also been pursuing a ruling by IRS which would grant administrative relief, but also with no success.

The taxes paid thus far are as follows: 1980, $111,400; 1981, $46,000; and 1982, $56,800, for a total of $214,300. Further, the 1983 estimates are so significantly higher as to give us very serious concerns. The NCUA Board has adopted a policy for the CLF to aggressively build up its reserves this year to reach an adequate equity base essential in carrying out its mandate of meeting liquidity needs of credit unions. Due to this reserve buildup, we estimate our tax liability for 1983 to be $400,000 to $500,000.

As you are aware, Mr. Chairman, we have submitted legislation to clarify this situation and we are hopeful for enactment.

I would be pleased to answer any questions for you and the members of the subcommittee.

TAX EXEMPTION STATUS

Senator GARN. Your budget justification notes that the status of the facility's tax exemption is still pending. As you know, I introduced a provision last year to provide such an exemption for the facility. Unfortunately, because of the pressing business at the close of the last Congress, the provision was not included in the final legislation.

Could you bring us up to date on the status of the provision, including the necessary coordination with the Finance Ways and Means Committees?

Mr. CALLAHAN. Mr. Chairman, it is my understanding that the legislation would need to be reintroduced at this time. We have been in contact with the appropriate committees and are hoping that when the timing seems right that the appropriate legislation would be introduced.

Senator GARN. What would be the net effect on the facility if it was not granted an income tax exemption during fiscal year 1984?

Mr. CALLAHAN. We would anticipate a tax liability of some $400,000.

SUBMITTED QUESTIONS

Senator GARN. Gentlemen, you are going to get the shortest hearing you ever had because that is a vote. So unless you have any other comments, I will submit the rest of my questions to you for your response in writing.

Mr. CALLAHAN. We like to set records, Senator. [Laughter.]

Senator GARN. You have set one, not only for yourselves, but it is the shortest hearing any agency ever had.

I will return as quickly as I can vote and I expect the EPA witnesses to be at the table when I get back.

The committee will stand in recess for about 10 minutes.

[A brief recess was taken.]

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR GARN

NEW LOAN ACTIVITY

Question: Could you please provide for the record the total number in dollar value of new loans initiated in FY 82?

Answer:

Period	Number	Dollar Value of New Loans
FY 1982	10	$48,516,295

Question: The total number and dollar value of new loans initiated during the first and second quarter of FY 83 and your estimate for the remainder of FY 83?

Answer:

Period	Number	Dollar Value of New Loans
FY 1983 1st Qtr	15	$21,545,608
FY 1983 2nd Qtr	4	4,700,000
FY 1983 est. 3rd and 4th Qtrs.	5	5,000,000

CENTRAL LIQUIDITY FACILITY—FINANCIAL CONDITION

In FY 82, loans receivable represent 58% of total current assets. In FY 84, you expect your loans receivable to represent 61% of total current assets.

Question: What percent do you consider appropriate as a long term strategy?

Answer: The CLF has not established a percent of loans to assets as a long term financial goal. Maximum loans under the law would be 12 times capital, however actual lending is strictly in response to demand that cannot be met from private sector sources.

In FY 83, capital stock in the Central Liquidity Facility was $87,139,000. In FY 84, you estimate that government equity in capital stock will reach $112,139,000.

Question: What is the reason for such a large increase between FY 83 and FY 84?

Answer: The increase in capital stock is a result of growth in the underlying shares of current members and from new members joining the CLF.

In FY 83, your income increased over the FY 82 level by $1,191,000.

In FY 84 you expect to realize an increase of $8,060,000 over your FY 83 level.

Senator Garn—Continued

Question: To what do you attribute such a large increase in your FY 84 total income?

Answer: The increase in FY 84 total income was based on estimates prepared in July/August of 1982 using interest rates which then prevailed. These projections are now probably too high when compared with the current level of interest rates. Based on current conditions, little or no increase in income from existing assets is anticipated in FY 84. Any increase in income in FY 84 would be primarily a result of higher loan volume.

Question: What percent of the increase is related to the larger loan balances outstanding?

Question: What percent is related to higher interest rates charged on such loan balances?

Answer: As stated above, the projections for FY 84 income now appear to be somewhat high. However, when they were prepared, approximately 75% of the increase in FY 84 income was from increased loan balances and 25% from a projected increase in rates charged on these new loans.

LOANS IN ARREARS

Question: Could you please provide for the record the total number and dollar value of any loans in arrears during FY 82?

Answer: There were no loans in arrears in FY 82.

Question: Could you provide the same data for the first and second quarter of FY 83?

Answer: There were no loans in arrears in the first and second quarters of FY 83.

PROTRACTED LOAN PROGRAM

Last year during your hearing, I asked you to list the amounts of each of your "protracted loans and the maturity dates".

Question: Could you please provide an updated list for the record?

Answer:

Amount	Maturity Date
$24,000,000	7-13-84
21,000,000	5-8-84
10,500,000	6-24-84

BORROWING AUTHORITY

For the last several years, the National Credit Union Administration has requested a $600 million borrowing authority. This year you are also requesting a $600 million borrowing authority limitation.

Question: Do you believe that this amount is sufficient?

Answer: Yes. Based on current loan demand, industry trends, and the general conditions of credit unions, we believe $600 million will be sufficient for FY 84 barring any extraordinary events.

Question: What was your request to OMB for borrowing authority in FY 84?

Answer: Our borrowing authority request for FY 84 to the Office of Management and Budget was $600 million.

Your request for $600 million in borrowing authority during FY 84 amounts to approximately 60% of the amount authorized by statute in FY 84.

Question: What percent of capital subscriptions did the $600 million represent in each of the last three years?

Answer: The ratio of $600 million to the statutory limit of 12 times subscribed capital at September 30 for each of the last three fiscal years is:

FY 1980	52%
FY 1981	37%
FY 1982	35%

LENDING ACTIVITIES AND INTEREST RATES

On Page 3 of your budget justification, you provide some examples of the situations in which the Central Liquidity Facility lent money to its members during FY 82.

Question: What was the average interest rate charged during FY 82?

Answer: The average interest rate on loans for FY 82 was 11.3 percent. The average interest rate for the current fiscal year is 9.3 percent.

Question: What is your current interest rate?

Answer: The current interest rate is 9.6 percent.

Question: How does the Central Liquidity Facility set its interest rates?

Answer: The CLF uses two factors in pricing its short-term — these are the cost of funds from the Federal Financing Bank and the average rate charged by the agent corporate members. This generally results in a rate slightly above the average of our agent corporate centrals.

Protracted credit is generally priced at a spread of 100 basis points above CLF's cost of funds at the FFB.

PRIVATE MARKET FINANCING

During last year's hearing, the Central Liquidity Facility was planning to enter the private market with a Discount Note Program. This was a result of a formal request from OMB to elimate the Facility's borrowing from the Federal Financing Bank. As a result of the May 24, 1982 Attorney General's decision that the Facility had the "full faith and credit" of the U.S. Government, the proposed Discount Note Program has been dropped. In this year's budget justification, you state that this action will, "at this time", place the Facility in the best position to carry out its role.

Question: Does that statement imply that other options are being considered to finance the Facility in the future?

Answer: No. There are no other options being considered to finance the CLF.

REPROGRAMMING OF ADMINISTRATIVE EXPENSES

As you know, use of Personnel, Compensation and Benefits (PC&B) funds for other purposes requires, under Section 401, the approval of the Appropriations Committees.

Question: Do you intend to use PC&B funds for other purposes in FY 83 and if so, have you submitted the required request?

Answer: We do not intend to use personnel compensation, and benefit funds for other purposes in FY 83.

DIVIDENDS

Question: What dividends have you declared in the first quarter of FY 83 and in the second quarter of FY 83?

		Rate	Dollars Disbursed
Answer:	First Quarter FY 83	9.00%	$1,889,000
	Second Quarter FY 83	8.25%	$1,776,000

Question: What are your projections for the remainder of FY 83?

Answer: The projections for the FY 83 third and fourth quarters will depend on market rates, loan volume, and additions to reserves. The CLF projects the dividend rate to be on or close to prevailing market rates during each of these two quarters.

CENTRAL LIQUIDITY FACILITY—ADMINISTRATIVE EXPENSES

At last year's hearing, you testified that the Central Liquidity Facility would require $1,368,000 for administrative expenses during FY 83. In our FY 83 bill, we provided this amount. Your current justification indicates that you now project your requirements for FY 83 at $650,000. This represents a reduction of over 50% from your earlier estimate.

Question: To what do you attribute your success in reducing the administrative expenses in FY 83 by such a large amount?

Answer: The reduction in administrative expenses for FY 83 is attributable to several factors. The computer operation was brought in-house at a cost savings of $180,000. The amortization of organizational costs was completed with a write-off of all prepaid expenses during FY 1982 resulting in a $300,000 reduction for FY 83.

Personnel costs were reduced $200,000 with cancellation of positions added for the discount note program.

Rent, communication, and utilities were reduced $38,000 due to savings resulting from reduction in CLF office space.

Your FY 84 request is for $850,000.

Question: What is the basis for this projection?

Answer: The FY 84 cost is based on the current spending level for FY 83. The $200,000 increase over FY 83 is due mainly to an anticipated increase in CLF agent reimbursement expense of $175,000 and increased personnel costs of $25,000.

Question: What was your request to OMB for FY 84?

Answer: Our request to OMB for FY 84 was $850,000.

CENTRAL LIQUIDITY FACILITY LOAN PORTFOLIO

In your budget justification, you note that one of your objectives for the Central Liquidity Facility was to reverse the negative interest spread which existed at the end of FY 81 in your loan portfolio. You state that the facility has improved from a negative spread of 46 basis points in September 1981 to a positive spread of 156 basis points of December 31, 1982.

Question: What is your most current data relative to the interest spread at the end of the second quarter of FY 83?

Answer: The interest spread on the loan portfolio as of April 30, 1983 was a positive 141 basis points. The FY 83 to date interest spread as of March 31, 1983 was a positive 117 basis points.

Question: Has the Facility established any objective or goal relative to a target interest rate spread?

Answer: The CLF has established a goal of maintaining, on average, a 100 basis point spread on its loan portfolio.

CENTRAL LIQUIDITY FACILITY MEMBERSHIP

On Page 5 of your justification, you state that you expect the Central Liquidity Facility Membership to increase from its current 557 direct members and 14 corporate agent members to all 20,000 credit unions in the "not too distant future". One of the reasons for your optimism is the National Credit Union Capitalization Commission's recommendations.

Question: Could you please describe these recommendations for the record and indicate when you expect they might be implemented?

Answer: The Commission's recommendation is that the U.S. Central Credit Union provide capitalization to the CLF on behalf of all credit unions which are members of corporate credit unions. In doing so the Commission tried to insure that there would be an efficient use of the credit union movement's resources by maximizing the CLF's ability to provide loans while, at the same time, allowing the private system to maximize the returns on liquid assets of member credit unions and provide liquidity in the normal course of business.

Discussions are currently taking place with senior officials representing the Commission, U. S. Central, and corporate credit unions to meet these objectives. The CLF is hopeful that "full membership" will be accomplished by the end of FY 83.

ENVIRONMENTAL PROTECTION AGENCY

STATEMENT OF LEE L. VERSTANDIG, ACTING ADMINISTRATOR

ACCOMPANIED BY:
- KATHLEEN BENNETT, ASSISTANT ADMINISTRATOR FOR AIR, NOISE, AND RADIATION
- DON CLAY, ACTING ASSISTANT ADMINISTRATOR FOR PESTICIDES AND TOXIC SUBSTANCES
- DR. COURTNEY RIORDAN, ACTING ASSISTANT ADMINISTRATOR FOR RESEARCH AND DEVELOPMENT
- C. MORGAN KINGHORN, COMPTROLLER
- LEE N. THOMAS, ACTING DEPUTY ADMINISTRATOR, ACTING ASSISTANT ADMINISTRATOR FOR SOLID WASTE AND EMERGENCY RESPONSE
- WILLIAM N. HEDEMAN, DIRECTOR, EMERGENCY AND REMEDIAL RESPONSE, OFFICE OF SOLID WASTE AND EMERGENCY RESPONSE
- FREDERIC A. EIDSNESS, ASSISTANT ADMINISTRATOR FOR WATER
- SUSAN C. GORDON, DIRECTOR, BUDGET AND CONTROL STAFF, OFFICE OF ADMINISTRATION
- EDWIN L. JOHNSON, DIRECTOR, OFFICE OF PESTICIDE PROGRAMS

OPENING REMARKS

Senator GARN. The subcommittee will come to order.

I started out last year's hearing by noting that there had been more controversy concerning EPA than any of the other agencies under the jurisdiction of this subcommittee. Well, this year, unfortunately, I can expand that to state there is even more controversy over EPA than all Federal agencies put together under anybody's jurisdiction. So not surprisingly, EPA has received more than its share of congressional attention.

I would note that to date EPA has completed 36 hearings before 15 committees with seven other hearings scheduled. EPA has scheduled approximately 75 interviews for EPA employees with congressional investigative staff. They have completed or are working on 63 requests for information to be provided to committees investigating EPA. The Congress has requested, or expressed interest in reviewing, all of the documents in toxics, Superfund, pesticides, and enforcement. One of these individual requests required over 1,000 program staff-hours in order to respond at a cost of $25,000. Another required the copying of 3,436 pages and 300 program staff-hours. Telephone inquiries from Congress have doubled since January 1.

It is now clear that a new management team will be taking over and equally clear that they will have to operate within the framework of a fiscal year 1984 budget approved by Congress. I believe that this committee can be most helpful by focusing on EPA's budget requests in order to identify its strengths and weaknesses—and this is what I intend to do. In this manner, we can build a record that the new Administrator can use to make resource allocation decisions.

BUDGET REQUEST

Your fiscal year 1984 budget proposal totals $3,702,591,000 and 10,448 workyears. This includes $948,591,000 for the Agency's operating programs, $310 million for the hazardous substance response trust fund, and $2.4 billion for the wastewater construction grants program.

I might say in going through all of those statistics, this is one subcommittee that has not requested anybody to come up until the normal sequence of events for establishing the budget. There is no doubt that there have been great problems at EPA and there is no doubt that there is some substance in the allegations.

But I, for one, get a little bit sick and tired of the prima donnas in Congress, both in the House and Senate, who try to make a career out of getting themselves on TV. I would suspect that one committee in the Senate and one committee in the House would be entirely enough to investigate the EPA or any other agency if we didn't enter politics into it.

It makes me angry when—and again, I am not excusing or judging or justifying anything that has or has not gone on. But somehow there has got to be some control over people who use whatever they can as a whipping boy to perpetuate their own images or do what they think will help them in the next election.

Again, I want to be very clear, it is necessary to investigate, find out what has gone on, and take care of that problem. We hardly need subcommittee chairmen, particularly in the House, competing with each other to see who can get on the network news each night.

The same thing happens with the Banking Committee that I chair. If Penn Square or the United American Bank of Knoxville fails, immediately there are hearings, but not the Senate Banking Committee. We wait 2 or 3 months until we can hold a hearing and get some substance. At that time the TV cameras are no longer there.

So again, there is no request from this committee to run you up here to ask you questions on other than the normal budget process because that has been more than adequately taken care of in dozens of different forums.

Senator Huddleston, do you have an opening statement you wish to make?

Senator HUDDLESTON. Thank you, Mr. Chairman. I would concur in what I have just heard you say.

Senator GARN. You better be careful. You don't know what I said before you got here. [Laughter.]

Senator HUDDLESTON. That is exactly right. But at least we hope that phase of the operation of the EPA is behind us and that they are moving on toward a more effective and efficient way of doing business. I have confidence they will. I am sorry that we don't have Mr. Ruckelshaus here today.

Senator GARN. Well, we do; just down the hall. [Laughter.]

Senator HUDDLESTON. I understand that. We will get a chance to talk with him at a future time, I am certain.

I have some concern about the 1984 budget request, its adequacy in terms of staffing and research and development and the State grants programs. I am particularly concerned about the State grants request and about the acid rain research.

Last year this subcommittee restored funding for the State grants programs, and I hope we will do likewise in 1984. States have been required to assume an increasing number of environmental responsibilities. We simply cannot expect them to perform these effectively without sufficient resources. Furthermore, in certain areas, such as toxic control in the water program, the work is increasingly complex and labor intensive. Fewer resources here will translate directly into reduced effectiveness.

Another vital concern that I have is with respect to possible action by EPA or related agencies in the area of acid rain. Specifically, I am greatly concerned that EPA not take any precipitous actions in the fact of legislative pressure from some sources to impose ill-conceived, expensive new control technologies on sulfur dioxide emissions, at least until the ongoing study efforts of the acid precipitation task force are completed.

To address this problem, I have, along with several other Members of the Senate, sent to Mr. Ruckelshaus, via the White House, a letter listing our concerns. It is my sincere hope that in the hysteria which seems to seek its way out in the debate on acid rain that we can realize that pursuing an ill-advised control program when we have significant gaps in our knowledge of acid precipitation is not the proper course to take. And, of course, you can understand the concern I have coming from the State that I do.

Thank you, Mr. Chairman. I will have some questions later on.

PREPARED STATEMENT

Senator GARN. Mr. Verstandig, your prepared statement will be inserted in the record at this point.

[The statement follows:]

STATEMENT OF DR. LEE L. VERSTANDIG, ACTING ADMINISTRATOR

Mr. Chairman, members of the committee, I am pleased to appear before you to discuss the President's 1984 budget for the Environmental Protection Agency. With me today are the managers of our programs: Our Associate and Assistant Administrators, and those acting in that capacity, as well as key career staff who should be able to answer most of your detailed questions.

As you are aware, the Environmental Protection Agency has undergone some substantial and far-reaching changes in the last month. The President has nominated William D. Ruckelshaus as the new Administrator of the Agency and his nomination is presently being considered by the Senate. Mr. Ruckelshaus has not had the opportunity to review the Agency's 1984 budget and will not be able to do so for some weeks following his confirmation. If after his review of the programs of the Agency and the President's 1984 budget he finds it necessary to recommend modifications to the budget, working with the administration, the modifications will be submitted to your committee for consideration later in the year.

Until the new Administrator concludes his review we will continue to support the budget proposal before you. Allow me to outline the major components of this proposal.

The President is requesting $948.6 million for our operating programs supported by 8,050 permanent workyears for 1984. We are also requesting $310 million supported by 619 permanent workyears for the expanded implementation of the hazardous substance response program. Finally, we request $2.4 billion for the municipal sewage treatment construction grants program, the same level as we requested last year.

These three major components of our budget total $3.659 billion, or a very slight decrease from 1983 enacted level of about one-half of 1 percent. Our request for the operating program component represents a 9-percent reduction in dollars and 5 percent in permanent workyears. The Superfund program, an area of considerable concern, would increase by 48 percent in dollars and remain almost level in permanent workyears.

The budget, as proposed, allows the Agency to perform its mission of protecting the public health and enhancing the environment. To accomplish this, the budget request has carefully targeted resources to areas of greatest environmental priority. Other areas have been pruned, reflecting the fact that EPA's progress in promulgating standards such as the effluent guidelines has reduced the need for ongoing research in those same areas. Moreover, productivity gains and management innovations effectuated during the past year have extended EPA's ability to perform its mission.

There have been a number of achievements at EPA this past year. These include significantly reducing or eliminating all the inherited backlogs; coming on-schedule for the first time with several court and statutory deadlines in areas such as effluent guidelines and chemical testing; significantly increasing the rate of delegation of environmental programs to the States; and refocusing the research and development program on areas of regulatory responsibility while continuing the effort on long-term research needs. We commit ourselves to building on these achievements and improving other facets of Agency operations.

Mr. Chairman, thank you for your attention. We are prepared to answer your questions on this budget proposal.

OPENING REMARKS ON 1984 BUDGET REQUEST

Senator GARN. Mr. Verstandig, do you have an opening statement you wish to make?

Dr. VERSTANDIG. Yes, Mr. Chairman.

Mr. Chairman and Senator Huddleston, I am pleased to be here today in, as you know, my acting capacity as Acting Administrator, to discuss with you the President's 1984 budget for the Environmental Protection Agency. With me seated here today and behind me are managers of our programs, assistant and associate administrators, those acting in that capacity, as well as key career staff, who will be available to answer most of the detailed questions that you or the staff may have for us.

As you are aware, I am sure, the Environmental Protection Agency has undergone some very substantial and far-reaching changes in the last few months, as Senator Garn alluded. The President has nominated William Ruckelshaus as the new Administrator, and his nomination, as Senator Garn indicated, is currently underway down the hall.

Mr. Ruckelshaus has not yet had the opportunity to review the Agency's 1984 budget and will probably not be able to do so for several weeks following his confirmation. However, I do want to reaffirm to this committee that such a review will hold a high priority for Bill Ruckelshaus to review the budgetary ceilings, to see if additional moneys and/or people are needed to carry out the mandate of the Congress in this Agency.

If after this very thorough review, which Bill Ruckelshaus promises to give the Agency's and the President's 1984 budget, Mr. Ruckelshaus finds it necessary to recommend modifications of that budget, in consultation with the administration, those modifications will be, in fact, submitted for consideration to this committee. Whether they might be in the form of an amended 1984 budget request and/or a supplemental 1983 budget request time will determine.

But until the new Administrator concludes his review of the budget, we will continue to support the budget proposal before you.

MAJOR COMPONENTS OF BUDGET PROPOSAL

In doing so, let me take a few moments to outline the major components of this budget proposal.

As you are aware, the President is requesting $948.6 million for our operating programs, supported by 8,050 permanent workyears for 1984. We are also requesting $310 million, supported by 619 permanent workyears, for the expanded implementation of the hazardous substance response program.

Additionally, we request $2.4 billion for the municipal sewage treatment construction grants program, the same level that we requested here last year.

These three major components of our budget total $3.659 billion, or a very slight decrease from the 1983 enacted level of about one-half of 1 percent. Our request for the operating program component represents a 9-percent reduction in dollars and 5 percent in permanent workyears. The Superfund program, an area clearly of considerable concern to all of us, would increase by 48 percent in dollars and remain almost level in permanent workyears.

The budget as proposed allows the Agency to perform its mission of protecting the public health and enhancing the environment. To accomplish this the budget request has carefully targeted resources to areas of greatest environmental priority. Other areas have been pruned, reflecting the fact that EPA's progress in promulgating standards such as the effluent guidelines has reduced the need for ongoing research in those same areas. Moreover, productivity gains and management innovations effectuated during the past year have extended EPA's ability to perform its mission.

PAST YEAR ACHIEVEMENTS OF EPA

There have been a number of achievements at EPA this past year. These include a concerted effort to reduce the inherited backlogs, complying for the first time with several court and statutory deadlines in areas such as effluent guidelines and chemical testing, significantly increasing the rate of delegation of environmental programs to the States, and refocusing the research and development program on areas of regulatory responsibility while continuing the effort on long-term research needs.

I can assure you that we commit ourselves to building on these achievements and to improving other facets of the Agency's operation in the years ahead.

Mr. Chairman, before making this panel available to you and the other Senators for questions, I would like to take this opportunity, if I may, to express my deep and sincere appreciation to the employees at EPA, and especially to those who joined me at the request of the President on detail to come over here and assume responsibilities at EPA. This is a highly professional, highly dedicated group of people. I must say that the last several months have been a rewarding experience, and I hope that we have turned the corner and are moving in the direction which the American public and the Congress expects of the Environmental Protection Agency and this administration.

INTRODUCTION OF ASSOCIATES

If I may, Mr. Chairman, I would like to introduce the panel here with me this morning. To my left is Lee Thomas, the Acting Deputy Administrator; Bill Hedeman to his left, Superfund; Fred Eidsness, Administrator for Water; Susan Gordon, in the Office of Administration. To my right is Morgan Kinghorn, Comptroller; Courtney Riordan, the Acting Research and Development Administrator; Don Clay, Toxics and Pesticides; and Kathleen Bennett, from Air, Noise, and Radiation.

Senator GARN. Thank you very much.

Before starting the questions, let me thank you for the assistance that your staff has provided to the subcommittee to try and develop a real time budget analysis for the committee. Judy Lum, in particular, has been very, very helpful in working on this project.

ATTRITION OF SCIENTISTS

In December, GAO issued a report on the attrition of scientists at EPA, FDA, and CPSC. The report concludes that:

> The data shows that from October 1979 to December 1980, EPA . . . experienced a general expansion among scientists and engineers, followed by a period of declining numbers during calendar year 1981. Overall, this produced little net change in the number of scientific personnel on board from October 1979 to December 1981.

Furthermore, GAO's analyses of changes by occupation and functional classification showed that total changes at EPA are a product of a mixture of gains and losses among different groups of scientists. Only one group—general engineers at EPA—appears to have been reduced, and some of this change may be due to reclassification rather than personnel turnover.

The report concludes that:

> RIF's played a negligible role in personnel changes in all three agencies, and there was little change in the rate of separations across the two periods. Declines in 1981 were attributable primarily to not replacing departing scientists and engineers.

Do you agree with the findings and conclusions of this report?

Dr. VERSTANDIG. Mr. Chairman, I am going to ask Susan Gordon to answer this question for you.

Ms. GORDON. Mr. Chairman, we can agree in general with the findings of the report. There has been a decline in total Agency personnel, including scientific employment levels, in the Agency. As the GAO report noted, the decline in scientific personnel has not been disproportionate to the total Agency decline.

GAO is further correct in its statement that the sizable reduction in general engineers is really due to reclassification rather than personnel turnover.

The report is also correct that RIF's played a negligible role in personnel changes.

Senator GARN. At last year's hearing, I asked you to prepare a table displaying the composition of your work force. Last week, at our request, you provided us with an update of this table.

Could you briefly characterize the information in the updated table relative to changes in EPA's skill mix?

Ms. GORDON. Yes. EPA's analysis of attrition within its top 10 occupational categories shows that from the period of October 1981 to January 1983, EPA experienced the largest percentage of attrition in its administrative occupational categories, with a relatively small and stable attrition occurring in the environmental specialists and environmental engineer fields. In fact, attrition in those two areas has been less, percentagewise, than attrition for the entire Agency.

Senator GARN. Could you submit that table for the record?

Ms. GORDON. I would be happy to.

[The information follows:]

EPA EMPLOYMENT MIX BY OCCUPATIONS

	October 1981		October 1982		January 1983		Reduction	
Ten largest occupations	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Environmental engineers.	1,498	11.1	1,428	11.5	1,409	11.3	89	5.9
Clerk-typists	916	6.8	943	7.6	883	7.1	33	3.6
Secretaries	1,183	8.7	1,110	9.0	1,111	9.0	72	6.0
General physical scientists	1,097	8.1	985	8.0	979	8.0	118	10.7
Environmental protection specialists	950	7.0	916	7.4	910	7.3	40	4.2
GS–301 admin. types	477	3.5	374	3.0	358	3.0	119	24.9
Chemists	686	5.1	655	5.3	617	5.0	69	10.0
General biologists	649	4.8	614	5.0	604	4.8	45	6.9
General lawyers	486	3.6	429	3.4	423	3.4	63	12.9
Admin. tech	449	3.3	465	3.7	463	3.7	+14	+3.1

REDUCTION IN FORCE

Senator GARN. There has been a great deal of rhetoric and hysterics about EPA staffing levels. Rather than adding to that, I would like to ask a couple of straightforward questions.

How many employees were involuntarily separated as a result of RIF's in 1981?

Ms. GORDON. 103 employees were involuntarily separated because of reductions in force in 1981. Of those employees, 57 were actually separated from the Agency in fiscal year 1981 and 46 were actually separated in the early part of fiscal year 1982. A handful of the 103 have been hired back as temporary employees.

Senator GARN. How many agency employees were separated by RIF's in fiscal year 1982?

Ms. GORDON. No employees were involuntarily separated because of reductions in force initiated in fiscal year 1982.

Senator GARN. Do you have a number on those that have been involuntarily separated in 1983?

Ms. GORDON. There have been no employees involuntarily separated in 1983.

Senator GARN. Do you plan any involuntary separations during the remainder of fiscal year 1983 as a result of RIF's?

Ms. GORDON. The Agency does not expect any involuntary separations during the remainder of fiscal year 1983 as a result of reductions in force.

Senator GARN. If we approved your fiscal year 1984 request for $540,389,000 for salaries and expenses, would you be required to RIF personnel?

Ms. GORDON. No. The salaries and expenses dollar request is sufficient to support the salaries and expenses workyears requested.

Senator GARN. Your budget justification indicates that your enforcement budget will be increased by 13 percent over the fiscal year 1983 level. What specific areas would be given additional emphasis in fiscal year 1984 and how were these priorities established?

Mr. KINGHORN. Two major increased areas were Superfund and RCRA in terms of all the programs we have. There was a general increase in nearly every enforcement program. But because of the particular importance of Superfund and RCRA, they are the two newest programs, just getting underway; we decided to put a substantial amount of dollars into those programs to assist in the enforcement of those programs.

PERMIT TRACKING SYSTEM

Senator GARN. In a June 4, 1981, letter to EPA, I requested that you develop a permit tracking system. On December 8, 1981, you forwarded a draft report on the development of such a system.

The report concludes that the implementation of such a system would provide a valuable management tool for resource allocation and would serve to highlight poor performance. This is the kind of management improvement that I believe would really increase the productivity of an agency. Reports are now being issued on a quarterly basis under the title of "Administrator's Management Accountability System."

In fiscal year 1982, you established a series of goals to be targeted for special attention in the accountability system. One of those goals was to reduce agency backlogs. In September, a new set of goals was established by the Administrator and backlog reduction was combined with an item titled, "Meeting program commitments."

What was the basis of this change?

Mr. KINGHORN. We basically have experienced considerable success already in reducing the backlog in many of the programs. What we have done is not simply stopped tracking those backlogs but, because of the success, really changing the categorization. So now, in effect, we are tracking more in a positive sense of meeting program commitments.

We will continue to track any slippage in backlog increases and also to maintain our look at programs that still have backlogs as of this date. So it is no decrease at all in our interest in eliminating the backlogs.

Senator GARN. What is the status of your current permitting, waiver, and approval backlog in comparison to a year ago?

Mr. KINGHORN. I can give you some examples and probably provide more for the record.

For instance, in the State implementation plan revision, we reduced that backlog by about 97 percent. In construction grant completions, we reached 100 percent of our target. Pesticide registration applications have 97 percent of the backlog down.

I can provide additional information for the record.

Senator GARN. I would appreciate that.

[The information follows:]

STATUS OF CURRENT PERMITTING, WAIVER, AND APPROVAL BACKLOG VERSUS A YEAR AGO

As indicated in the table below, significant backlog reductions were achieved in most programs in fiscal year 1982 and are being kept under control in fiscal year 1983. While key measures from the permit tracking system were incorporated into the Management Accountability System (MAS) during fiscal year 1982, the only tracking data available is on the processing rate of backlogged national pollution discharge elimination system permits. There is no backlog in prevention of significant deterioration or Resource Conservation and Recovery Act permits.

In fiscal year 1983, both the backlogs of the NPDES repermitting and construction grants completions were added. Better tracking measures are now being developed to relate the Office of Water targets to backlogs and will be available in future quarters.

CONTROL OF BACKLOGS

Program	Percent actual backlog reduced fiscal year 1982	Amount of backlog 2d quarter		Percent of actions processed within fiscal year 1983 target
		Fiscal year 1982	Fiscal year 1983	
Office of Air, Noise, and Radiation: State implementation plan revisions	97	222	37	90
Office of Pesticides and Toxic Substances:				
Pesticide registrations	97	138	69	98
Experimental use permits	83	14	12	87
Tolerance petitions	70	67	38	81
Interagency testing committee designations	100	N/A	N/A	(1)
Office of Water: Construction grants:				
Physical completions	[2] 108	[3] 943	441	94
Administrative completions	[2] 95	[3] 1,581	1,055	82
NPDES permits:				
New	N/A	N/A	N/A	100
Reissued	N/A	[3] 1,175	1,112	126

[1] On schedule for end of year.

[2] Percent of target only.

[3] Backlog at end of fiscal year 1982, not at 2d quarter.

BOTTLENECKS

Senator GARN. I expected that one of the results of instituting a reporting system would be to identify bottlenecks in the processing of permits. What steps in the review process have been identified as requiring the longest processing time and also show the most variability in processing time?

Mr. Kinghorn. We found, as probably you are aware, it is difficult in many cases to assess the precise problem in terms of the bottlenecks. The particular problem can either be in the headquarters or it can be in the region.

We found in our studies through the system a tremendous amount of variability in the regional problems. Some regions have particular problems on a permit, for instance, that no other region would. It appears to be a backlog, and when you look at it, it may or may not be.

So we are able to track the problems in processing both from the regions and especially from the headquarters. We hope as we go over time we will be able to have a much better idea to locate specific problems in permitting.

In other cases we can do special studies in terms of new programs, such as 301(h), to start background information to make sure if we begin to have problems we will have a basis to understand why.

Senator Garn. What actions has EPA taken to reduce the time associated with each of these bottlenecks?

Mr. Kinghorn. I think what we are trying to do now is assess information we are getting from the management systems so we can take the data, particularly from the regions and headquarters, and better understand where we go next. I think we have had good success in most of those backlogs. I think the problem in the future is going to be to maintain that success.

Senator Garn. What procedures have you put in place to assure that changes in processing will not adversely affect the quality of your decisions or the environment?

Mr. Kinghorn. I think on that issue we basically look at programs differently. In the older programs, which are underway and have a pretty good process established, we have generally set more specific time frames in our management reports, such as in meeting them. In a new program, such as RCRA, where it is a very difficult and new program, very complex, which no one really has a good understanding of the entire process that is involved, we haven't set specific time frames this early in the process.

So we have given those programs a great deal more flexibility. As they gain experience and we gain experience, we will be able to track them closely and perhaps establish deadlines.

INDICATORS FOR MONITORING TREND DATA

Senator Garn. In 1983 you added a new goal entitled, "Incorporating environmental results." What specific indicator of environmental quality and trends will be monitored by this reporting system?

Mr. Kinghorn. We basically tried to set up three kinds of indicators. One would be those that would measure a program's progress in environmental terms. A second would be an indicator that would establish some kind of baseline information for ambient trends, so 4 or 5 years from now, or 2 years from now, there will be some indication where you have been and where you are going. Finally, we are trying to get some indicators that will give us some early warning indicators where we might be monitoring—in fact, mother's milk in terms of the toxic program. It might point out some problems in the future.

We are just beginning this process now. We hope to be able to find indicators for most of the programs that would give us some idea of where we are heading in all three areas.

Senator GARN. Could you provide the available trend data for the record?

Mr. KINGHORN. Certainly.

[The information follows:]

ENVIRONMENTAL TREND DATA

We have asked each regional administrator to prepare an environmental management report (EMR). Each regional office has submitted a draft EMR with a final report due late in May. The reports are internal management tools to identify, for each region: Environmental status and trends, the most significant current and emerging environmental problems, the barriers to solving these problems, and the regions' recommendations about actions that, if taken, would allow the problems to be addressed more effectively.

We will use the EMR's as a basis for preparing a national environmental atlas this fall. This atlas will provide information on status and trends in environmental quality that will help us set our environmental goals for the coming year.

We will provide the committee with a full report on environmental status and trends as soon as we have had an opportunity to review the final environmental management reports. In addition, we will provide a copy of the national environmental atlas.

STATUS OF INTERNAL TRACKING SYSTEM

Senator GARN. What is the current status of your efforts to develop and implement environmental results as part of your reporting system?

Mr. KINGHORN. It really follows what I have just discussed. We are just now beginning to get in draft environmental management reports from the regions. We will assess those. They are in draft form. We will send them back to the regions to make sure there is some consistency. Hopefully, later this year we will be providing information on the basis of trends.

Senator GARN. Late last month your Acting Inspector General, Charles Dempsey, issued a report relating to EPA's internal tracking system. The report concludes that although EPA employees reported that 90 percent of certain environmental reviews were completed on time, the actual figure was 25 percent. The audit report also found that only 35 of EPA's 74 reviews of major Federal actions, or 47 percent, were completed on time. Of course, these allegations cast serious doubt on the value of your management reporting systems.

Dr. Verstandig, you were quoted as saying that you welcomed the report and would be taking steps to correct the problem. What have you been able to accomplish to date?

Dr. VERSTANDIG. Let me comment briefly on this, Mr. Chairman. One of the things that Mr. Dempsey did was to do this very detailed analysis of what were the problems, what were the bottlenecks. I think part of what we are trying to do is to streamline, if you will, the management system that enables us to identify some of these problems and move more rapidly through the Agency to identify them so we can turn them around and be more responsive.

I think this is just the beginning. I suspect once Mr. Ruckelshaus gets on board, this document prepared by Mr. Dempsey is one of the things Mr. Ruckelshaus wants to delve into as he moves into reviewing the management of the Agency as well.

ACID RAIN RESEARCH

Senator GARN. Senator Huddleston?

Senator HUDDLESTON. Thank you, Mr. Chairman.

Is the Environmental Protection Agency utilizing its full capacity and the research money, authorized under the 1980 Energy Security Act, to study the acid rain precipitation phenomenon?

Dr. VERSTANDIG. Let me have Courtney Riordan answer that, Senator.

Dr. RIORDAN. Yes, Senator. Our program in EPA, of course, is planned jointly with the other agencies that participate in the interagency task force on acid rain research. The program has been developed as a result of a great deal of scrutiny by these joint agencies, both in-house and using external sources. We think we are using the money to the best possible end we can in terms of trying to come up with answers to the acid rain problem.

Senator HUDDLESTON. Could you use additional funding to expedite the results of the study?

Dr. RIORDAN. At the moment, we have not identified areas where we think we could truly accelerate learning the answers that we are looking for in acid rain. We can list a number of technical areas where further progress in being able to assemble data and gain knowledge simply depend upon progress on technology of science.

Senator HUDDLESTON. You are on schedule over—was it a 10-year study?

Dr. RIORDAN. A 10-year study. We are on schedule, yes.

Dr. VERSTANDIG. Senator, I might add, one of the things Mr. Ruckelshaus alluded to on this particular question during his confirmation was that indeed the issue of acid rain is one of high priority for him and one of the things he is looking aggressively toward doing is working with our research and development people, as well as the scientific community, to get a better handle on the data.

I think part of the problem is sometimes, as in this case, some of the scientific data are a little bit behind where we are trying to move. But this is something that is a very high priority with Mr. Ruckleshaus.

Senator HUDDLESTON. S. 454, legislation to expedite the study, would make it a 5-year study. Would that be possible or feasible with the appropriate financing?

Dr. VERSTANDIG. Is that the Byrd legislation?

Senator HUDDLESTON. Yes.

Dr. RIORDAN. In terms of addressing some of the fundamental uncertainties that are prevalent right now in acid rain, I don't think a lot more money is going to provide us with a reduction in the time needed to increase our understanding. We could buy some additional inventory data on parts of the country that are not receiving as much attention at present. Right now a large focus of our program is on the areas which have been identified as being most sensitive; namely, the northeastern part of the United States. But in terms of some of the critical uncertainties, like being able to measure dry deposition and estimate its relative impact on the problem, being able to address the question about nonlinear chemistry in the formation of sulfates and the transport, trying to understand the loadings that may have ultimate effects on chemistry and biology of waters, these are just problems that require time. We need to gather enough information on trends and also enough information on effects over a period of time before we are going to come up with some answers in this area.

Dr. VERSTANDIG. Senator, I might add, Dr. Riordan is cochairman of the Acid Rain Task Force, an interagency task force. I think he should be commended. We are very impressed with the aggressiveness with which he has worked within the Agency, within the Government, to identify some of the problems there and try to move as rapidly as we can.

Senator HUDDLESTON. Is it your judgment right now that you don't have sufficient information, data, conclusions, to draw a comprehensive bill relating to acid rain?

Dr. RIORDAN. That is definitely my opinion, Senator. I would point out, however, that we have research going on that might identify a breakthrough, particularly in the source receptor end of the problem; namely, trying to associate particular sources or regions of emissions with deposition. That is a large area of uncertainty in our estimation at the present time.

We are presently carrying on pilot field demonstration studies to determine whether we might better be able to get a handle on that problem in a shorter period of time. But there are certain instrumental problems associated with being able to track and measure pollutants that presently present an obstacle in that area.

Senator HUDDLESTON. I hope that if you find you need additional funding or if additional funding would expedite or make the study more thorough, more accurate, that you will let us know about it.

Dr. RIORDAN. We certainly will.

Senator HUDDLESTON. I have some other questions about the effect of using lime to deal with the acid rain problem that I will submit to you for written response, if you will. They may be a little technical for this particular session.

REDUCTIONS IN STATE GRANTS

Getting back to the State grants programs, the grants to State and local governments are down some $60 million in the 1984 request. Your justification notes that this reduction is possible because of efforts to eliminate program duplication in the grant process, simplify administrative requirements, reduce regulatory demands and alternative funding sources. Can you, looking at each of those or any other reasons that you might use to justify the reduction, give us some idea of what you intend to do there and how much money might be attributable to each of those reasons?

Mr. KINGHORN. Senator Huddleston, it is difficult, as we have stated before, trying to put specific numbers on each of those because the State data are simply not that good.

Part of the reduction of State grants, one of the small pieces, was discontinuing several programs: the clean lakes program and the rural water association grant program. That comprised nearly $5 million of the cuts. But the largest single piece, of course, was in the water program.

I am sure Mr. Eidsness can give you a little more detail. But the proposal there was not due to efficiency but basically due to the availability we believe in other sources, 205(g) and 205(j) in the water program. In the streamlining area, which is probably the most difficult to put a specific number on, basically that has to do with the kind of expediting work we think we have done and will continue to do in several of our regulations, in water and air and source performance standards. But I think it might be more helpful to focus for a minute on the water grant because it is nearly half of the State grant reduction.

Mr. EIDSNESS. I would be very happy to follow up on that.

Under the Clean Water Act, there are three major sources of funds for State program activity. One, of course, is the 106 grant, which typically is used for staff for permit and enforcement related activities. Sometimes monitoring is part of that, depending upon how they account for it.

Under section 205(g) which is part of the construction grants program, States can use 4 percent of their State authorized allotment of the construction grant funds they get every year from the Congress for purposes of administering the construction grant program and other activities, such as permit and enforcement, planning, and monitoring.

Finally, under section 205(j) of the act, States can use up to $100,000 as a minimum, or 1 percent of their State construction grant allotment, for purposes of water planning-related activities.

Now, given those three sources to combine, what we have seen happen in the last few years is that with the construction grant authorization coming as late as it did in 1982, plus in 1983, States have approximately $48 million under 205(j) to expend in fiscal years 1983 and 1984, along with roughly $52 million that was authorized by the Congress in 1983 for States under section 106. In addition, we anticipate approximately $8 million would be used by States out of their reserves of 205(g) funds, which would be plowed primarily into permit and enforcement-related activities.

In summary, including the current fiscal year and what we are requesting for the next Federal fiscal year, combined sources of funds would amount to somewhat more than States had in fiscal years 1982 and 1981.

Now, I might qualify that by saying that notwithstanding the total figures looking good, there are clearly difficulties in the ability of States to allocate certain grant funds from these various sources to the proper category.

205(j) FUNDING FOR TOXIC CONTROL

Senator HUDDLESTON. That was the next question I had. Can 205(j) funding be used for toxic control?

Mr. EIDSNESS. The 205(j) funding is related primarily to planning and monitoring. It can do most of the things States have traditionally done under the 106 grants, with the absolute exception of permits and enforcement. We don't believe it is legal for them to use 205(j) for that purpose. In fact, negotiations that have gone on so far and grants that have been awarded under 205(j) have not included permitting and enforcement.

I might also add there is approximately $200 million of reserve 205(g) funds in the 46 States that have construction grant programs. They can draw upon some of that money to go toward permitting and permit enforcement if they choose to do so.

The reason the reserve is there, I might add, is because EPA, rightly I believe, in the past suggested that since the construction grant funds come annually, and there have been some problems in a smooth flow of the funds, that at such point as the annual appropriations may stop, States will have a number of projects in the pipeline they would still have to process for 2 to 3 years. So we have argued they should have some reserves under 205(g) in the event that circumstance does arise.

However, we also note a number of States have reserved funds for work in 4 and 5 and 6 years out in the future. We would like to think those States would reconsider the extent of those reserves and plow those back into these specific areas, like permit enforcement, which you can do under 205(g), to supplement funds lost under 106.

Senator HUDDLESTON. But wouldn't the use of those 205(g) funds for 106 purposes detract from the water treatment program, the wastewater treatment?

Mr. EIDSNESS. States that have reserved their full allotment under 205(g) for administering the grant program or other things have already made their policy decision not to use them to fund the construction sewage treatment works. So that is a call that they have to make that I don't think we have any authority to reverse.

Under the 205(j), those funds are purely for planning purposes and do not relate directly to treatment plants that would be constructed.

Senator HUDDLESTON. Do you have an estimate on how much of the 205 (g) and (j) would be used for 106 activities?

Mr. EIDSNESS. In 1984 we estimate that approximately $8 million for section 205(g) would be used for permitting and enforcement activities. The $24 million under section 205(j) will be used for a variety of water quality standards and monitoring activities.

Senator HUDDLESTON. But that would depend on the States.

Mr. EIDSNESS. That is correct. A part of the problem, Senator, has been the difficulty in extracting this information with different accounting procedures the States have. So these would be estimates. But as I said earlier, there is no doubt that there are some States that are experiencing difficulty with the inability to transfer funds. There may be States that don't have adequate funds.

I might also add they have their own internal problems, as you are well aware. Many States have hiring freezes. They have money, but they can't hire. That is not a Federal problem, but it is a real problem nonetheless.

Senator HUDDLESTON. My time is up, Mr. Chairman.

Senator GARN. Senator D'Amato?

Senator D'AMATO. Thank you, Mr. Chairman.

Mr. Chairman, at the outset let me say for the record that our Acting EPA Administrator, Lee Verstandig, has conducted himself during very difficult, trying times I think in a most exemplary manner in holding together the Agency, in continuing its functions. We tend to lose sight of that as a result of the screaming headlines. But I would like to commend Dr. Verstandig. You have done an outstanding job in a turbulent time in trying to keep your eye on the ball.

Senator GARN. With no screaming headlines while he has been acting.

Dr. VERSTANDIG. Thank you, Senator.

PROBLEMS IN NEW YORK AND LOVE CANAL

Senator D'AMATO. Particularly I take note of the cooperation of EPA during his brief tenure and stewardship with regard to some very complex and perplexing problems we have in New York—Love Canal—and OTA is doing a review. It is an old one and it is still with us. But he has made available the records and documents concerning this, working with OTA in a nonadversarial manner. That is the kind of thing that will restore the credit of EPA where it should be.

I have just two quick questions, Mr. Chairman. I am concerned with the Superfund legislation which was designed to remedy the problems associated with past dumping of toxic waste in light of the fact the funds currently needed to be spent on this problem will probably, in the estimation of your Agency, prove insufficient to the task. What additional steps do you believe should be taken at the Federal level to deal with that?

Dr. VERSTANDIG. Let me ask Mr. Thomas to answer that question.

Mr. THOMAS. Senator, I think that is a question that there are numerous opinions on. At this point in time the Agency is moving on a track, one that was largely set by Congress, to pull together both the experience that we have had with the program as well as projections for the future on number of sites in the country, cleanup accomplished under the current legislation, projections of cleanup, and estimates on cost for future cleanup. And we have projected preparation of a report for Congress in 1984, as specified in the legislation, that lays out those things.

Senator D'AMATO. Won't that still leave Superfund with insufficient dollars to really address the problems that we have?

Mr. THOMAS. Senator, the magnitude of the problem we are talking about is that we are looking at an estimated 15,000 sites in the country. We are going through an identification and assessment process with the States on the scope of the problem. Now that estimate I have heard is as high as 25,000 sites and as low as maybe 10,000. The determination exactly as to how severe the problems are at these sites is something we are working on. Right now our estimate is, as far as the Superfund is concerned, we can clean up with the fund maybe 170 of the worst sites. Through enforcement actions, we can clean up maybe 170 additional sites. Just based on those kinds of figures I think it is obvious that using the current fund we are not going to complete that job.

IMPACT OF STATE GRANT CUT

Senator D'AMATO. That is an understatement.

Getting back to the State grants, obviously Federal law requires specific actions by the States to comply with some of the necessary environmental regulations put forth by EPA. Now, these requirements bear very heavily on many of our States. In New York, where we have an active program, we have spent billions of dollars on the local level, State-local share in terms of sewage treatment, et cetera. Nevertheless, at this time your Agency is requesting a cut of some $67 million from the State grants program.

Doesn't this cut impact most heavily on those States which are already hard-pressed in dealing with these environmental programs?

Mr. KINGHORN. I think, Senator, the best way to handle that is to probably discuss specifically some of the grant programs because they are different. In total, our grants comprise about 50 percent of the total funding, States' share and Federal share. Some of our cuts, outside of the water grant, which is a specific instance, in the area of hazardous waste, drinking water grants, the cuts range from 3 percent, a relatively small hazardous waste, up to 23 percent in drinking water. It is based on different positions we take in terms of the status of how we implement it.

Senator D'AMATO. Let me ask you this: How did you arrive at these cuts which range anywhere from 3 percent to 24 percent? What triggered it? Is there a declining need for the funds for that area?

Mr. KINGHORN. I think generally our position in terms of the policy set by the Administrator was that in many of the cases these grant programs and the programs to which they administered are becoming older, except for RCRA, and that as those programs develop, certainly our own resources in terms of workyears can go down. And if we, in effect, decrease the kinds of requirements we put on the States, some of their costs could go down also.

We also hoped that many of the States would consider using permit fee systems. Some of the States chose to do so, some did not.

Senator D'AMATO. In fairness to my colleagues, and someone who is waiting for me—I am afraid I am late already—I would have to just say that those are the kinds of cuts that are counterproductive. During very difficult times I understand where we may not be able to fund to the level or increase funding to the levels that we might want and those increases might have to be constrained or we might have to operate under existing levels. I think it is terribly counterproductive to envision cutting in these areas when we have the magnitude of problems that you have indicated, whether it is Superfund, whether it is dealing with discharge of materials into our bays and harbors, drinking water, or clean air quality.

I know that the chairman shares my concerns, although he may not express it in the manner in which I do. I think that Mr. Stockman and I think that Dr. Verstandig's predecessors do a great disservice to this country when they make these kinds of minuscule cuts, and that is what they are, in terms of the total budget, and don't deal with the real problem of growing deficits and will probably result in us having to spend many, many, many more times the money in the future and discourage locals, States, and municipalities from dealing with these problems.

But I have every confidence that under the chairman's guidance, and others, and also the new Administrator—I think, hopefully, he will be confirmed—that we will be able to address that problem. I thank you.

Thank you, Mr. Chairman.

Dr. VERSTANDIG. Senator, just to reassure you, I think the points are well taken. I know in conversations recently with Mr. Ruckelshaus this is one of the areas he really wants to get into and feels he really needs to delve in and understand what has happened in the recent past in order to try to address the concerns that you raise.

MATCHING FUNDS ON SITE CLEANUP

Senator GARN. I would note, for the Senator's benefit, that last year we did restore these funds, and yesterday the House Committee restored them.

On January 31, CRS issued a report on your fiscal year 1984 budget request. In that report, CRS raised a concern about the ability of certain States to provide the matching money for cleanup. That portion can vary from 10 percent to 50 percent of the cleanup costs, depending on the site. Failure to provide the matching moneys can preclude action at a site. CRS notes that recently EPA identified 50 sites at which States could not come up with the matching funds.

How many sites are having cleanup delayed due to an inability to reach an agreement on local matching funds?

Mr. THOMAS. Senator, the issue of matching funds and problems as far as States are concerned on site cleanup really has several parts, and States, I think, are definitely having problems with each of those parts.

There is currently within the Agency a policy that during the investigation and feasibility study stage, States will provide a 10-percent share. There is some consideration, and currently we have underway a review of that policy, of whether during that planning stage that 10-percent requirement is appropriate. I think we will, shortly after Mr. Ruckelshaus is confirmed and comes to the Agency, bring to him a discussion of that particular issue. That has presented some problems to States.

The second part of the problem is the actual 10 percent for the design and construction phase of the program. There is a specific number of States that don't have readily available the funding required.

They have to appropriate the funds on a case-by-case basis. That presents problems with some of those States having deficit problems themselves, just normal problems of budgeting and timing.

Some States have gone to a 2-year budgetary cycle. Some States have set up a mini-Superfund program themselves. Those are the States that are most readily able to move the fund.

The final set of problems with the State matching has to do with, and the one that presents often the biggest obstacle, is the situation where a site had a State or local unit of government as an operator. Those sites require 50-percent funding and obviously present major problems as far as that State is concerned.

Senator GARN. Do you have any recommendations for breaking the logjam?

Mr. THOMAS. Yes, sir. We currently have underway the review of the policy of the 10-percent funding on the planning stage. I feel like the possibility of a revision of that policy can help break the logjam.

We also have been working closely with the National Governors Association and the State Association of Program Managers for Waste Management on strategy for helping them deal with this problem. We have a workshop planned for State budgeting and procurement officials to lay out a variety of options on how to speed up their whole procurement process, which has been a major problem.

Also, I have asked the staff to develop a series of options on how we could work with the States for possible different methods of payback, deferred payment as far as the 10-percent share is concerned.

REAUTHORIZATION BILLS

Senator GARN. Late last month you submitted two reauthorization bills to the Senate—the Toxic Substance Control Act and the Environmental Research, Development, and Demonstration Authorization Act. Both of these bills would authorize the same amount requested by EPA for fiscal year 1984.

Both bills also request such sums as may be necessary for fiscal year 1985. Thus the bills really contain no information about the new priorities that might be established at EPA.

Given that your budget is currently undergoing review, why did you choose this time to reaffirm your January budget request?

Dr. VERSTANDIG. Mr. Chairman, I think I will ask Don Clay to answer that.

Mr. CLAY. In the case of TSCA, it was a decision made by the Agency just to go with the current level. There is no other level we have right now. We believe the amount that is being requested is sufficient for the essential portions of TSCA. And until Mr. Ruckelshaus has a chance to review the budget, there is no other number.

MANAGEMENT OF THE GREAT LAKES PROGRAM

Senator GARN. The Senate fiscal year 1983 appropriation in the committee report referenced needed changes in the management of the Great Lakes program. To some extent, the report reflected the findings of a GAO study released about the same time.

The Senate report stated the committee expects EPA to provide the management focus and visibility of this program that it needs in order to effectively address the problems of the Great Lakes. The committee expects EPA to report back with suggested changes in the program on March 1, 1983.

On March 10 I received a copy of a memorandum dated February 4. This memo seems to address some of the issues raised in the committee report, but it does not specifically say that it was being prepared for this purpose.

Could you please submit a copy of the memo for the record?

Mr. EIDSNESS. We would be happy to, yes, sir.

[The memorandum follows:]

MEMORANDUM FROM FREDERIC A. EIDSNESS, JR., ASSISTANT ADMINISTRATOR FOR WATER, ENVIRONMENTAL PROTECTION AGENCY, AND CHAIRMAN, COORDINATING COMMITTEE, GREAT LAKES PROGRAM OVERSIGHT

FEB 4 1983

SUBJECT: Great Lakes Program Oversight

FROM: Frederic A. Eidsness, Jr., Assistant Administrator for Water
Chairman, Coordinating Committee, Great Lakes Program Oversight

TO: John W. Hernandez, Deputy Administrator

The Great Lakes Program Oversight has been completed. This memo is to provide you with a summary of the management actions to be taken in response to the findings and analysis of the Coordinating Committee for the program oversight. The other members of the Coordinating Committee are Lewis Crampton, Director of the Office of Management Systems and Evaluation; Ambassador Richard Funkhouser, Director of the Office of International Activities; Dr. Courtney Riordan, Assistant Administrator for Research and Development; and Valdas V. Adamkus, Administrator for Region V, Chicago.

PURPOSE OF THE OVERSIGHT

Over the past several months the Coordinating Committee for the Great Lakes Program Oversight has been directing the activities of an interoffice Work Group to evaluate the EPA Great Lakes Program activities. It has been the purpose of the oversight to develop recommendations that will: (1) improve overall management of our Great Lakes water quality responsibilities within EPA; (2) improve coordination and communication among EPA, other concerned federal agencies, and the Great Lakes States in carrying out related Great Lakes program activities; (3) assure that EPA's implementation of the Great Lakes Water Quality Agreement (GLWQA) is consistent with the Administration's policy and guidance under the Clean Water Act (CWA); (4) enhance, whenever opportunities are present, EPA's performance in meeting its GLWQA obligations and commitments.

METHODOLOGY

The method used in the oversight carried out by the Work Group involved the following steps:

- Identification of major policy, management, and technical issues;
- Fact finding and analysis, including literature review and interviews of involved public officials and concerned private interests;
- Development of options to respond to the major issues and a workshop to refine the options into realistic parameters for an action program; and
- Evaluation of the Work Group's options framework by the Coordinating Committee and development of a program for action.

SUMMARY OF CONCLUSIONS

Considerable progress has been made in cleaning up the Great Lakes; however, some problems remain. EPA has been criticized for its lack of support of the Great Lakes Program. EPA needs to take credit for its positive efforts, both in supporting the Great Lakes Program and meeting GLWQA commitments. This will enhance Agency credibility and dispel the unwarranted criticism that the U.S. is backing off its pledge to clean up the Lakes.

In summary, the findings and analysis of the Work Group were as follows:

Policy

- EPA has a clear policy on the Great Lakes which is expressed in the GLWQA. The Agreement spells out in detail the commitments the United States has accepted, and has been pursuing over the past 10 years with measurable success.

- A part of EPA's "problem" with the Great Lakes was found to be in the way the Agency is perceived by the Great Lakes community, the Canadian government and the media. However, since the responsibility for implementation of Agency policy has been fragmented among a number of different offices, the level of effort and accomplishment has not been clear to those outside the Agency.

- The GLWQA is not in conflict with the Clean Water Act's provisions, and the policies and regulations developed to implement the Act. The Agreement is consistent with the direction of the Administration as expressed in the Administrator's policies and the Operating Guidance of the Office of Water, especially as related to water quality standards. Further, it was found that the CWA provides sufficient authority to EPA and the States to carry out their GLWQA responsibilities. Therefore, the GLWQA need not be reexamined or reopened at this time.

Management

- There is an immediate need to correct the inadequate coordination between and among HQ, the Great Lakes National Program Office (GLNPO), the Regional Offices, other Federal agencies, States and the Canadian interests. There is a lack of a basic Agency-wide structure for EPA's Great Lakes activities.

- The Great Lakes National Program Office has been relating and responding well to Region V and to State and local officials in Region V. Due to GLNPO's location in Chicago, its relationship to Regions II and III tends to be ad hoc and project-related. There is a need for a closer working relationship among GLNPO and these two regions.

- GLNPO is on the front line in day-to-day communication with the Great Lakes community, the Great Lakes States, the media, and the national and provincial governments of Canada. Therefore, GLNPO plays a key role in forming public opinion about the U.S. commitment to pollution control in general and to Great Lakes water quality in particular. In this role, GLNPO must improve the effectiveness of its communication to all parties. It must be knowledgeable and speak out on EPA's accomplishments and ongoing efforts to control pollution under the CWA and other regulatory authorities.

- In some cases, Canadian expectations have been raised inadvertently because there has not been a direct linkage between policy commitments and the budget process. EPA responsibility for negotiations with the IJC and its Boards is fragmented among the Office of Water, the Office of International Activities and GLNPO. While GLNPO is partially responsible for the IJC negotiations GLNPO has no linkage to the priorities and constraints of the HQ budgetary processes.

- There is a need for coordination with the Great Lakes States, both political and programmatic, prior to the GLWQA negotiation process because the States are an integral part of the Agreement's implementation procedures.

- EPA Headquarters needs closer working relations with the International Joint Commission and its Water Quality Board and Science Advisory Board in order to ensure that the policy and technical recommendations of the Commission and its Boards are realistic and implementable.

Technical

- Significant progress has been made in the overall cleanup of the Great Lakes. For example;

1) the State of Michigan report on the levels of toxics found in the annual analysis of bloater chubs from 1969 through 1980 is interpolated from the published graph as follows:

	1969	1980	% Change
DDT (mg/kg)	10.00	0.50	-95%
Dieldrin (mg/kg)	0.26	0.40	+55%
PCBs (mg/kg)	5.60	2.20	-68%

2) the State of Michigan also found that there were continuous declines in the mercury levels found in St. Clair Walleyes from 3.0 mg/kg in 1970 down to 0.5 mg/kg in 1980;

3) the IJC's Water Quality Board draft annual report for 1982 notes that:

— "Removal of phosphorus at municipal treatment plants, in conjunction with limitations on the phosphorus content of laundry detergents, has resulted in dramatic reductions in the loadings of phosphorus to the Great Lakes, especially Lake Erie and Lake Ontario. Canada has achieved the municipal phosphorus loading goal for Lake Erie, and the United States is close to the target. Both countries are close to achieving their respective goals for Lake Ontario."

— "Facilities in the Lake Michigan Basin in 1981 discharged with an average effluent phosphorus concentration of 0.84 mg/L, which is better than the proposed Agreement goal of 1.0 mg/L."

— "Three major sewage treatment plants met and bettered the 1.0 mg/L concentration for the first time in 1981: Detroit Metro, Rochester Frank Van Lare, and Syracuse Metro."

— "The planning and construction of the past decade is coming to fruition. Wastewater treatment facilities are now, or will soon be operational at most municipal and industrial discharges in the Great Lakes Basin. These facilities generally provide for secondary treatment or equivalent, phosphorus removal if required, and treatment for specific heavy metals and . . . toxic substances. More than $7.25 billion has been spent over the past ten years for construction of municipal facilities alone. Positive industrial response to the cleanup effort has also contributed to the effort to restore, preserve, and enhance the Great Lakes; the total expenditure by industry to date cannot be estimated."

o The Great Lakes International Surveillance Program (GLISP) needs to be more focussed on the identified problem areas to realize maximum effectiveness. To use resources more effectively, monitoring activities of the various governmental entities must be more coordinated. It was found that monitoring and research activities are highly interdependent and must be closely interrelated. There is a definite need for further coordination of research and monitoring efforts so that outputs of the research program are used to design the monitoring program and outputs from the monitoring activities are available to guide researchers in establishing priorities. Monitoring activities should supply State regulatory and management agencies and EPA information necessary to make policy decisions concerning further reductions from pollutant loads from point and nonpoint sources.

o It was determined that the national research program addresses the majority of the Great Lakes research needs. However, it is important to clarify how Great Lakes problems are being factored into the national program.

o The necessary next step in phosphorus control is the voluntary implementation of agricultural conservation practices that reduce phosphorus loadings (also referred to as BMPs). For example, the value of conservation tillage was demonstrated in the Corps of Engineers study of the Maumee River Basin, and in the five EPA demonstration projects, which were funded through GLNPO and provided technical and educational assistance at the local level.

However, the reduction of nonpoint source pollution continues to be a serious challenge. Because nonpoint source problems are diffuse and can only be dealt with effectively at the local level, it is essential that the States, as mandated by the Clean Water Act, take the lead role in their resolution. EPA has been supportive of State leadership in this area. Also, in the case of agriculture nonpoint sources it is the actions of individuals rather than institutions which are necessary to solve nonpoint source problems, therefore, education and technical assistance holds the greatest promise for a successful nonpoint source program at this time.

With regard to meeting GLWQA commitments through nonpoint source control programs, there are problems in projecting nonpoint source load reduction for purposes of meeting pollutant levels specified in the agreement. There is also some difficulty in determining through monitoring the actual reductions in pollutant levels attributable to nonpoint source control programs. This is because pollutant levels vary greatly from year-to-year based on the amount of precipitation.

PROGRAM ACTIONS

The following are the program actions agreed upon by the Coordinating Committee:

- The Agency's senior management is to reassert EPA's commitment to the implementation of the Great Lakes Water Quality Agreement through increased outreach activities.

- The Assistant Administrator, Office of Water is accountable to the Administrator for the development of Great Lakes policy and the oversight of resources and budget. The AA, OW and the RA, Region V will hold more frequent consultations on Great Lakes issues than in the past.

- The AA for Water will develop and manage an operating plan for the implementation of Great Lakes program activities. The plan will include the following activities and functions:

  1) Provide policy guidance in the negotiation of agreements.

  2) Work with the GLNPO and other offices to redirect their annual work programs to meet the Agency's Great Lakes Water Quality Agreement commitments and obligations, including annual budget submissions that will provide the direction for the GLWQA related activities and commitments of the offices.

  3) Evaluate the GLNPO and other offices, as appropriate, as part of the Office of Water Accountability System, and track GLNPO and such other offices against annual work plans and budgets.

  4) Convene, in cooperation with the Regional Administrator for Region V, an annual Great Lakes program coordinating session with the Regional Administrators for Regions II and III.

  5) Meet with the States relative to implementation of State programs which fulfill GLWQA obligations.

  6) Seek a closer working relationship with the International Joint Commission, its Board and staff by participation in Commission and Board activities, as appropriate, and including more direct involvement in the development of recommendations.

  7) Establish and maintain liaison with other Federal agencies to ensure that all Federal Great Lakes-related activities are coordinated and that these Federal programs address environmental concerns.

- The Coordinating Committee will work with U.S. and Canadian interests to develop and implement a unified research and monitoring program for the Great Lakes.

  1) The initial focus in the area of monitoring on the U.S. side will be on the development of a water quality monitoring strategy, including the necessary institutional linkages. Then consideration will be given to extension of the scope of the monitoring strategy to include Canadian efforts as well. The development of the monitoring strategy will be initiated by a technical work group, working through the Coordinating Committee.

     An updated monitoring program, based on the strategy, is necessary to provide essential data in simplest form on an annual basis so that trends can be clearly identified. The updated monitoring program will also serve to focus and direct existing levels of monitoring resources toward the identified priority areas. It is essential to set annual monitoring priorities, as well as to assist in negotiating the States' roles in the annual monitoring activities.

  2) The initial work will be with ORD to ensure that Great Lakes research priorities are factored into the national research program. This will involve specific identification and reporting on how Great Lakes needs are being met through the national program. In general, there is no need for a separate Great Lakes research program. However, there are some unique research needs which must be addressed within the national research program because the Great Lakes waters are fresh and recycle very slowly.

     As with monitoring, the initial focus on the U.S. side will be on the development of a research strategy. This also will include the necessary institutional linkages and consideration will be given to involve the Canadian efforts as well. The development of the research strategy will be initiated by the same technical work group that develops the monitoring strategy, and the group will work through the Coordinating Committee.

- EPA will continue to acknowledge the essential State leadership in nonpoint source control program implementation and will continue to support this leadership with the provision of resources, technical assistance, and any available funding through the established channels of the sections 106 and 205(j) programs. The Coordinating Committee will further support State leadership in the nonpoint source area by more clearly defining State and Federal roles and responsibilities. In addition, the Committee will consult with the States regarding designation of priority waterbodies and negotiation of sections 106 and 205(j) grants as these relate to implementation and coordination of the Great Lakes program initiatives. To ensure integration of various State level activities being undertaken in the area of nonpoint source control, a State Coordinating Committee will be established to review State program proposals and coordinate State program activities. To avoid redundance, the existing State level WQM plans and continuing planning processes (CPPs) will serve as the technical base for the program coordination. In time, the pace of implementation of the various plan recommendations by the States will serve as a useful gauge to determine the appropriate level of Federal support for each State.

NEXT STEPS

It is my intention to undertake this plan of action developed by the Coordinating Committee to resolve problems and issues identified in the oversight. This course of action is responsive to EPA's need to highlight its Great Lakes program accomplishments, as well as to Canadian, GAO, and other environmental groups' concerns with regard to EPA's meeting obligations under the GLWQA.

CHANGES IN GREAT LAKES PROGRAM

Senator GARN. Was this memo developed to address the issues in the committee report?

Mr. EIDSNESS. I don't know, sir, if it was specifically, but I think in general the concerns raised by the Senate were covered in the process of developing those recommendations.

I might also add that the memorandum does not reflect the sum total of activities that are ongoing today: (1) To provide for better management of Great Lakes program operations, both in the regions and at headquarters; (2) coordinate better with the States, the Canadian Government, and the International Joint Commission; and (3) to provide the public information on what is going on with respect to EPA and the U.S. Government's commitment to Great Lakes cleanup. So there are other things.

I would be happy to provide that to you as well.

Senator GARN. I have some other questions about the Great Lakes. We will submit those to you to reply to for the record as well.

PROGRAMS NOT DIRECTLY RELEVANT TO EPA'S LEGISLATIVE MANDATE

Your budget justification indicates that reductions in your research request for fiscal year 1984 reflect the completion of work in several programs and the reorientation of the program away from areas that are not as directly relevant to EPA's legislative mandates.

Could you describe those areas that you do not consider directly relevant to EPA's legislative mandate?

Dr. RIORDAN. Yes, Senator. The first area I would cover would be the pollution control technologies research that was in support of the industrial wastewater and municipal wastewater programs. The research that was going on was judged to be not immediately relevant to the regulatory needs of the programs because we had already reached the point of technology being developed to support the best available technology guidelines that were being applied in this area.

The judgment was made relative to that research that we could best leave the incentive for further development work for these technologies to the private sector.

Another area which falls within that category has to do with the Great Lakes research program, which was a specific activity of research funded and managed outside of the base research program. When we reviewed that program within the Agency, we came to the conclusion that the research needs that were outstanding in the Great Lakes area could best be covered by our ongoing base research program as opposed to targeting a specific amount of money every year to address specific problems independent of our base program.

ELIMINATION OF CONTROL TECHNOLOGIES

Senator GARN. One of the activities eliminated in your budget was the development of control technologies in your environmental engineering program.

What is the basis for the elimination of these control technology development activities?

Dr. RIORDAN. As alluded to in my prior response, it is the judgment, one, that we have reached the point in many of our regulations where we have exhausted the best available technology approach toward controlling pollutants. The remaining technologies that will have to be developed we suspect are going to have to be specific to individual industries.

In examining the priorities within the Agency, the conclusion was made that we should look to industry to develop these specific technologies that may be needed to deal with the outstanding problems that will be left after the best available technology approach to this regulation has been adopted.

Senator GARN. What specific role have you identified for the Federal Government in terms of the development of higher technology procedures and equipment?

Dr. RIORDAN. The areas we have identified as being appropriate for further research for technology development have to do with first, in the hazardous waste area, looking at the improved methods for land disposal, thermal destruction of hazardous waste; and in the drinking water area, particularly for treatment systems for small drinking water supply systems; and continuing research in the area of SO_2 controls in support of the acid rain program.

LIMESTONE MULTISTAGE BURNER DEVELOPMENT

Senator GARN. On what basis was the limestone injection multistage burner development continued?

Dr. RIORDAN. That was continued because it is a technology which has great promise were it to be proved out for dealing with SO_2 controls for existing boilers. It has great potential for essentially retrofitting and controlling SO_2 emissions from existing facilities. We have already invested a great deal of money, approximately $17 million, in that technology. We think that it is at the point where in the next few years we will know whether it is in fact a feasible technology or not.

So given the benefits of the technology and the urgency of the acid rain program, the judgment was made that we should continue this development research.

Senator GARN. Is the continuation of this type of pollution control technology consistent with your policy in other areas?

Dr. RIORDAN. I think so, Senator, in the sense that the acid rain program may end up being a program that would require that we look at emissions from multiple industries, the industrial process boilers, industrial boilers for purposes of energy generation, as well as the utility industry. It has the potential of being a broad-scale program. So, therefore, I think we can justify the presence of the Federal Government in this research area.

Senator GARN. Senator Huddleston?

HAWAIIAN PESTICIDE HEALTH ASSESSMENT PROJECT

Senator HUDDLESTON. Thank you, Mr. Chairman.

First, on behalf of Senator Inouye, who is a member of the Appropriations Committee but not of this subcommittee, let me ask about the Hawaiian pesticide health assessment project at the University of Hawaii. Do you have the figures on how much has been spent on this project to date and what the status of the program is, or do you want to supply that for the record?

Mr. CLAY. We we will supply the figures for the record, Senator.

Senator HUDDLESTON. This is a discontinuation of the program; is that right?

Mr. CLAY. That is not my understanding, Senator.

Senator HUDDLESTON. That is not correct?

Mr. CLAY. No.

Senator HUDDLESTON. I guess we must have some misinformation. Can you give me a report on that?

Mr. CLAY. I will give you a report for the record.

Senator HUDDLESTON. I appreciate it.

[The information follows:]

COOPERATIVE AGREEMENT WITH UNIVERSITY OF HAWAII

The Hawaii pesticide hazard assessment program consists of a number of projects to conduct exposure, epidemiological, and health effects studies and perform laboratory analyses in the following areas: Occupational exposure to DBCP in pineapple workers; modeling analysis of pesticide transport and transformation through soils; health assessment of potential exposure to DBCP via well water; monitoring of mothers' milk for heptachlor epoxide; and study of blood dyscrasia.

A total of $418,800 and $267,000 was spent on this program in fiscal years 1980 and 1981, respectively, and $169,000 was obligated during fiscal year 1982. A no-cost time extension has been granted until July 30, 1983, to utilize the unexpended funds remaining in the cooperative agreement to complete the above tasks.

The Agency plans to continue this program. A technical proposal for a fiscal year 1983/1984 work effort is expected to be submitted to EPA within a week, and will be reviewed for appropriate funding.

Senator HUDDLESTON. There is another area in which we have had a particular problem in Kentucky. That is the question of regionalism.

Kentucky, for example, is one region that works through the Atlantic office. This would be under the construction grant programs, I believe. Several of the contiguous States to Kentucky are in another region. They work through other offices.

Apparently there is some policy and procedural inconsistency between the regions which makes it difficult to address interregional problems. Is there anything that EPA can do or is thinking about doing or aware of on this kind of problem that might facilitate the more interregional cooperation?

Mr. THOMAS. Senator, that is an issue that we have begun to address in EPA. It is an issue that, for instance, in a particular program area or media, is addressed by the counterpart office in headquarters. For instance, the water policies and water programs should be consistent region to region because they are developed at one unit within the Washington area. However, the ongoing monitoring to insure consistency between regions is something we are concerned about and one of the areas that Mr. Ruckelshaus has indicated that he intends to address.

Senator HUDDLESTON. We will be looking at that then.

SUPERFUND BALANCES

Back to the Superfund now, just for a couple of questions. What are the current balances in the Superfund?

Mr. THOMAS. Let me see if I can find those specifically.

Mr. KINGHORN. I have them.

Senator, the projected appropriated balance, which is the amount that would be sitting in the fund that has not been appropriated, under our estimates at the end of this year would be about $317 million. At the end of 1984 it would be projected to be $457 million. That assumes an appropriation of $310 million.

Senator HUDDLESTON. Those are fiscal years you are referring to?

Mr. KINGHORN. That is correct.

Senator HUDDLESTON. So it will grow in the next fiscal year?

Mr. KINGHORN. That is correct.

Senator HUDDLESTON. At what point does it stop growing? Do you have enough projects underway so that you are going to be using it up faster?

Mr. KINGHORN. There is, of course, the statutory limit, that if it grew to something like $900 million, or projected to grow, the statute would stop the taxes. Nothing under any of our estimates would indicate it is going to grow anywhere near that.

Senator HUDDLESTON. You mentioned a couple of figures I wasn't sure of, 170, and about 170 on the number of sites you will be dealing with. As I understood you, you were going to deal with about 170 sites on the basis of regulation and 170 sites that you were going to be working on directly. Was that correct?

Mr. THOMAS. No, sir. Those figures are really very preliminary projections at this point. Under the program and under the authorities in the statute, there are provisions for enforcement, to require responsible parties, if they can be found, who have access, to clean up the sites, and the estimate of 170 for enforcement was based on that. That was to get responsible parties either to clean up or contribute to the cleanup of approximately that many sites.

The other 170 I estimated are the current estimates on how many sites could be cleaned up using the fund itself.

Now, I should point out that those estimates both deal with the major large sites where we are talking about taking remedial action, which is the major construction program.

We also have a removal program largely dealing with surface cleanup where there is an immediate threat either from a spill or abandoned site; and there will be additional cleanups, as there are on an ongoing basis, at those sites.

Senator HUDDLESTON. I think I can submit the remainder of these questions, Mr. Chairman, relating to the Superfund. In fact, I will submit all the others in the interest of time.

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STRATEGIC ASSESSMENT PROGRAM

Senator GARN. Senator Leahy?

Senator LEAHY. Thank you, Mr. Chairman.

In the 1984 budget, you propose abolishing the strategic assessment program. In fact, you say the Agency sees no need to continue the strategic assessment program. Why is that?

Dr. RIORDAN. Senator, the strategic assessment program was part of the exploratory research program within the research and development program. The reason that it has been reduced is that the products turned up by that particular activity were not being received by a client office and evaluated as being purposeful. I think it may have been the fact that we didn't run the program properly. But the studies that we carried out tended to be somewhat crystal balling and somewhat questionable in terms of their accuracy in identifying what would be emerging problems. As a result, we didn't get support through our clients in the Agency to continue the program.

Senator LEAHY. You say it is being reduced. Is it being reduced or abolished?

Dr. RIORDAN. The 1984 budget would basically abolish it.

Senator LEAHY. So your prior statement about it being reduced is inaccurate?

Dr. RIORDAN. It will be abolished, yes. I apologize if I said reduced.

Senator LEAHY. You say the client agencies within EPA were not interested in its product. But wasn't that the program in 1980 that developed the 5-year research program for acid rain?

Dr. RIORDAN. You may be correct. I am not sure. It was the Office of Exploratory Research. The Strategic Assessment Group was part of that Office. I am not familiar with whether or not developing the acid rain program was the direct contribution of the individuals that were in the Strategic Assessment Group. I would have to go back, Senator.

Senator LEAHY. The reason I ask that, I am just wondering if indeed that is so, if it developed the program in acid rain—as I understand it, an integrated 5-year research plan for EPA's acid rain program—why would not somebody be interested in that? I mean, I would assume that acid rain would be the major issue in the clean air debate.

Dr. RIORDAN. Of course, acid rain receives a lot of money, $14 million from the EPA and $27 million total from the Federal Government.

I can point out some other activities that were supported by the Office of Strategic Assessment. One of these was the Sunbelt study, which was a very broad overview of projected industrial growth in the American Southwest, in an attempt to come up with predictions of what might be pollution problems in the future.

That kind of activity just has not proven to be an effective way in the judgment of our client community, to predict problems. Certainly acid rain is a broad problem. The Office of Exploratory Research, which had responsibility for the Strategic Assessment Group, was the umbrella office that did develop the plans for acid rain research within EPA. But they continue to do that. We still do have an Office of Exploratory Research. What we do not have is a category of work which we call strategic assessments within that Office.

Senator LEAHY. You speak of clients. What do you mean by that? What do you mean by client agencies?

Dr. RIORDAN. In the Agency we develop our research budgets jointly with the regulatory program offices. Those are what I call clients; namely, the Office of Toxic Substances, Office of Water Programs, Office of Air Programs, and Office of Solid Waste. We interject into that process long-term as well as short-term research needs.

But there is a great deal of negotiation that goes on and judgments made relative to the utility of different kinds of research. The strategic assessment activity within EPA was given low priority relative to the other research activities that we have identified.

RESEARCH STRATEGIES FOR IDENTIFYING EMERGING PROBLEMS

Senator LEAHY. What other research activity would take over their long-term assessments, the looking ahead 5 years?

Dr. RIORDAN. Well, we have the Office of Exploratory Research, which does have a budget in the grants program which solicits from the research community on an annual basis, ideas about emerging problems. That is a competitive peer review grant system, which we think is an effective way to identify problems associated either with obstacles in the body of scientific knowledge or emerging environmental problems.

Senator LEAHY. Are you doing anything internally to spot those problems?

Dr. RIORDAN. We have systematically now adopted a process of developing two kinds of annual documents. One we call our research strategies, which are developed by our research management associated with the major media categories. There is a research strategy developed for air pollution problems, a research strategy developed for water, a research strategy developed for toxics, which is an important mechanism for identifying emerging problems.

We also have a 5-year research plan, the research outlook, which is developed on an annual basis, which canvasses people within the Agency and outside for ideas about what might be emerging problems.

We do not have, however, a budget item which expressly devotes research dollars to systematically collecting information either in terms of industrial growth or in terms of pollution—I mean in terms of environmental quality—for the purposes of making those judgments.

Senator LEAHY. Would it be fair to say your R&D efforts are primarily short term?

Dr. RIORDAN. No. I think it is, however, safe to say we do not actively engage in what I would call a systematic intelligence function by carrying out studies; that is, going out and systematically collecting information, the purpose of which is to make recommendations to the Agency on emerging problems. We do not do that. That is what the strategic assessment activity was designed to do.

CRYSTAL BALL WORK OR PROBLEM IDENTIFICATION

Senator LEAHY. Wouldn't that be important to you? Because in a growing country, growing economy, changes in our technology, yet the environmental laws remain basically the same—protecting both our air, water, and so forth—isn't it necessary to be doing that kind of crystal ball work?

Dr. RIORDAN. I think it is very important. I also think, however, it is very hard to carry it out in a way that people will appreciate its effectiveness and usefulness. It is very hard to crystal ball.

Senator LEAHY. You come to Vermont. I will show you a lot of people who would feel it is a pretty good idea and made a great deal of sense and may feel it is a head-in-the-sand approach if it is not being done, because certainly individual States affected by problems—whether it is air, water pollution, or anything else—do not have the resources to do that. Certainly a small State like my own does not.

I am quite interested in what might be done here. They look to the Federal Government to do that. Maybe I am missing the point, but I am not sure—I am wondering if there is maybe a big hole.

Dr. RIORDAN. We do it, but I think we are doing it in a more targeted way; for example, by technology. We have identified the biotechnology industry as being an area of the economy which we should be concerned about relative to potential environmental impacts. So what we do is incorporate that concern into our grants solicitations. We also have incorporated it into some of our base research programs in terms of long-term research. It is when you get away from the specifics, into a generic activity, called crystal-balling or problem identification, where we have had a more difficult time demonstrating that we can be effective and useful.

1983 REGIONAL WORKLOAD ANALYSIS

Senator LEAHY. In your 1983 regional workload analysis you stated if the regional air program offices were granted a 10-percent increase in available resources, our inventory sources would be expanded to include all sources of nonattainment areas with an emission potential of 100 tons per year of any pollutant without controls.

I understand that to mean that EPA's enforcement program doesn't include potentially major pollution sources and dirty air areas; is that right?

Mr. KINGHORN. Senator, before we let Kathleen respond, I would like to give a general indication as to the study in terms of our interpretation of the study released.

Factually, I think the study was correct. The numbers were correct. I give your staff some credit for pulling together this different information. But the workload process has always been used in our Agency as simply a method to distribute a given amount of fixed resources in the regions; that is, the President's budget. It is a planning process. It is not and never has been intended to be a tool that develops needs. And traditionally, over the last several years, in many cases when you run all the workload models out for certain of the programs, they often have shown in terms of that use a greater number of resources than was ever in any President's budget. That was the purpose for which they were intended.

But what they are intended to do is to get people together in regions and headquarters and say, "OK, you have *x* number of resources, let's try to distribute them fairly and equitably among 10 regions." And in so doing that, the regions and headquarters basically open their hands up and suggest any kind of work, any kind of work involved in the Clean Air Act, for instance, much of which couldn't even possibly be done in any one given year but in terms of over a period of time could be done.

So it is an open-ended approach in which many regions, because they have unique workloads, will try to get into the model every kind of indicator possible. So if you added all of those up over 10 regions, you will often get—although not in all cases—a much larger number than would be indicated in any President's budget that we have had. So it really is a distribution tool designed to give the Assistant Administrator and the regions a management flexibility of what to do first over all the work required to implement an act, which might be over several years.

Your specific question, I think, was for Kathleen.

Ms. BENNETT. Senator, I think it is important to note that if you simply looked at the EPA resources as compared to all of the resources out there, given the tremendous expansion that has occurred in recent years and the number of sources that are inventoried, clearly we would not have resources to enforce against all of them.

The key points, however, are first, fewer than 5 percent of the sources are not in compliance; and second, the Federal resources are not the only ones in the field. This is an evolving, developing program. In many cases, the State activity far outshadows the Federal.

Recently we have had a tremendous amount of success in improving the working relationship between the State enforcement officials and ourselves. First of all, we have helped to enhance the State capabilities through such things as training, enforcement programs, technical models, manuals, and workshops; second, through administrative and management techniques, such as joint inventories and decisions as to whether the Federal Government or the State government will take the lead. So that between the States and us, we are confident we have a very effective force in the field, and it is getting better all the time.

Senator LEAHY. So I understand the answer to my question would be yes.

Ms. BENNETT. No. No, Senator. The question was, do we have——

Senator LEAHY. You do have adequate facilities then to include potentially major pollution sources and dirty air areas.

Ms. **Bennett**. We believe we have more than adequate forces to take care of the current load as defined by the Federal Government in view of our close cooperation with the State officials who are also active in the field.

One of the comments that I noted in the report, at least the summarized version of it I saw, was the indication that you apparently have the notion that we are only dealing with those sources of 250 tons. That is not accurate. We are also including in our inventory and our activity caseloads those sources of the 100 tons and above.

In fact, I might also note in this context, Senator, the significant violator concept we recently instituted has resulted in a resolution of about half the cases in a single year through focusing on those areas where the Federal big stick, if you will, can do the most good, and deferring to the States where the State expertise and the State involvement is the more effective tool.

Senator **Leahy**. My time is up. I think I have been filibustered to death, Mr. Chairman, on the answer. I will wait until the next round and pursue this.

Senator **Garn**. Senator Proxmire?

Senator **Proxmire**. Thank you, Mr. Chairman.

TEMIK OR ALDICARB IN GROUNDWATER

Dr. Verstandig, Temik, also known as Aldicarb, has been found in high concentrations in the groundwater wells in central Wisconsin as well as in Florida and Long Island. Petitions have been filed seeking to suspend this chemical or change its tolerance.

What are you able to do about that?

Mr. **Johnson**. Senator, we have been looking very carefully at ways of modifying usage in order to reduce the potential for that chemical to leach into groundwater. Changing the time of application, for example, in any particular year or changing the concentrations that are applied or modifying the dose levels all can lead to a lesser contribution or less potential for contribution of that chemical to groundwater.

We are very actively pursuing all of those options, both with the manufacturers of the chemical and State officials who are working in this area, in Wisconsin and other States.

Senator **Proxmire**. Do we have any feel for how long it will be before you can come up with some useful answers?

Mr. **Johnson**. We already have some answers. For example, we have already determined that applying material later in the year when the weather is warmer and allowing it to break down before it is flushed down into the lower reaches of the soil column already works. We have some other changes that have been made or are in progress to implement that particular finding. So it is not a long-term project. It is something that should begin to pay off very shortly.

Senator **Proxmire**. Do you think sometime this year you would be able to take action one way or the other on the petitions to suspend the use of the chemical, to approve it or disapprove it?

Mr. JOHNSON. Yes. We have looked at at least several petitions and have not found them persuasive. But we are continuing to review those in light of new evidence. The petition was recently received.

Senator PROXMIRE. Thank you.

EMERGENCY USE EXEMPTIONS

According to a staff report prepared for the Department of Operations Research and Foreign Agriculture Subcommittee, the so-called Benbrook report, emergency use exemptions allowing the use of otherwise banned or unregistered pesticides rose from 198 in fiscal year 1980 to 505 in fiscal year 1982 and special local needs exemptions also rose dramatically.

I am troubled that what were intended to be special case and limited use exemptions have taken over the act, and it is now the exceptions which are proving the rule.

What safeguards have you taken to limit these exemptions to where they are really necessary?

Mr. JOHNSON. We have not taken safeguards as yet. We, too, are concerned about the rapid increase in these. We recently completed a 5-year audit of the program. We found there are several reasons why the numbers increased substantially, some of which do not cause us concern but others of which do.

We are now in the process of reviewing our regulations to determine which areas need to be tightened up. I would be pleased to provide a copy of the audit report to the committee. It also outlines some of the avenues we are currently pursuing.

Senator PROXMIRE. I would appreciate that. I would appreciate that very much, if you could make that available to us. I am delighted to hear you are as concerned, apparently, as I am about that alarming increase, almost double.

[The information follows:]

LETTER FROM EDWIN L. JOHNSON, DIRECTOR, OFFICE OF PESTICIDE PROGRAMS, ENVIRONMENTAL PROTECTION AGENCY

APRIL 6, 1983.

Hon. GEORGE E. BROWN, Jr.,
Chairman, Subcommittee on Department Operations, Research, and Foreign Agriculture, Committee on Agriculture, House of Representatives, Washington, D.C. 20515

DEAR MR. CHAIRMAN: As I promised in my appearance before the subcommittee on February 23, 1983, I am happy to provide you with a copy of the Office of Pesticide Program's audit of the emergency exemption and special local needs programs under the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA).

In general, we found that both programs have been used effectively to meet the needs of the States and the agricultural community. The incidence of abuse observed was minimal. However, we did identify some areas requiring refinement, and we will promptly begin necessary reviews and make needed revisions in policy or procedures. I do not believe any legislative changes are necessary.

I call your attention, in particular, to the comprehensive discussion of the dramatic increase in emergency exemptions and the conclusion that many legitimate factors other than FIFRA section 3 circumvention have contributed to the situation. We did find a problem with some States' reliance on the crisis provisions of section 18, and we are going to look at whether the provisions should be revised to insure that they are invoked only when absolutely necessary. In addition, we believe that the definition of "emergency conditions" needs to be reviewed to insure that the criteria are realistic.

Some incidents suggesting circumvention of section 3 requirements were observed in the 24(c) program, in that we found interregional and/or national patterns of 24(c) registration for both non-EPA registered products and additional uses of registered products, raising the question of whether a special local need actually exists. We are particularly concerned about widespread registrations of non-EPA registered products for which only a minority of registrants had sought EPA registration, whereas most 24(c) registrants of additional uses of registered products had sought EPA approval. In response we plan to use the provisions of FIFRA section 3(c)(2)(B) to call in the data required for a section 3 registration when there is such substantial use of an unregistered product or use pattern. We also plan to update our computer tracking system so we can more routinely monitor 24(c) registrations.

In addition, we discovered that many 24(c) registrations have been issued for less than a 5-year period, and that as a result, our records reflect these registrations as active when they may actually have expired in the State and are not in use. We intend to contact the States to determine the status of these registrations so that our records and registration status can be changed to reflect the actual situation.

We will be pleased to discuss the findings of this audit with you at any time.

Sincerely yours,

EDWIN L. JOHNSON,
Director, Office of Pesticide Programs.

AUDIT OF EMERGENCY EXEMPTION AND SPECIAL LOCAL NEEDS PROGRAMS AS AUTHORIZED UNDER SECTION 18 AND 24(C) OF THE FEDERAL INSECTICIDE, FUNGICIDE, AND RODENTICIDE ACT, AS AMENDED

Environmental Protection Agency
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I. EXECUTIVE SUMMARY

The objective of this audit is to determine the effectiveness of the Emergency Exemption and Special Local Needs programs under FIFRA section 18 and 24(c), respectively. This effectiveness will be determined by whether: (a) emergency exemption requests and special local need registrations are being handled in a timely manner, (b) exemptions are granted only when bona fide emergencies exist, and (c) either program is being used in an attempt to replace or circumvent section 3 registration.

Data on section 18 exemptions on a fiscal year basis for a five-year period from FY 1978 through FY 1982 were collected and evaluated. Data on section 24(c) registrations were collected and evaluated for a six-year period from January 1976 through March 1982. The analysis of the section 24(c) data is based on the calendar year because the numbering system used to identify section 24(c) registrations is based on the calendar year. This audit also includes an analysis of state processing of section 18 and 24(c) applications.

The findings of the audit can be summarized as follows:

- The section 18 emergency exemption program has been utilized effectively to deal with a wide variety of pest problems, both agricultural and nonagricultural.
- The majority of emergency exemption requests are responded to in sufficient time to allow the users to resolve the emergency.
- The number of exemption actions has increased dramatically over the years. This can be attributed to a number of reasons which are discussed in detail in the text. However, the following are the primary reasons for this increase:

- factors such as IBT-data problems and the RPAR process causing delays in the routine tolerance setting/registration process for a number of pesticides used under emergency exemptions;
- liberalizing changes in policy in more recent years regarding the definition of what constitutes an "emergency." Such changes were necessary, in part, due tc a decrease in EPA Regional office involvement regarding whether or not an emergency exists. These changes include allowing requests for the purpose of economic gain, as opposed to averting economic losses, and consideration of requests for more than one chemical to deal with the same emergency situtation;
- increased pesticide company involvement;
- increased incidence of regional emergencies;
- increased incidence of marginal emergencies;
- increased utilization of the crisis provisions;
- increased utilization of the program by other Federal agencies.

o Although resources have, at times, been severely strained, OPP has been able to cope with increased emergency exemption program activity and still maintain a high level of quality through periodic evaluation and modification of internal procedures.

o The existence of the section 18 statute condones circumvention of section 3 under emergency conditions. Therefore, the question becomes one not of circumvention but one of abuse.

o There is indication of overuse of the crisis provisions of the regulations.

o Review of available data indicate that further guidance in the definition of "emergency conditions" is needed.

o The section 24(c) program, with some exceptions, has generally worked effectively since its implementation.

o Some incidents of circumvention of section 3 registration requirements by registrants were found through utilization of section 24(c).

o Most of the SLN registrations were issued for additional uses of products which were already registered under section 3.

o Approximately one-half of those registrants who had obtained section 24(c) registrations for additional uses of EPA-registered products indicated that they had applied to EPA for section 3 registration (or for an Experimental Use Permit). Some interregional and/or national patterns of SLN registrations were found.

o Only one-quarter of the section 24(c) registrants of unregistered products indicated that they had sought EPA registration (or an EUP); some widespread patterns of national or interregional section 24(c) registrations were discovered. (Unregistered products account for approximately one-fifth of all SLN registrations.)

o In most specific cases of large numbers of section 24(c) registrations issued for additional uses of EPA-registered products (i.e., an identical use pattern in more than 10 states), section 3 amendments were subsequently or concurrently sought and were approved.

- Based on the disapproval rate of less than one percent, the states appear to be playing an effective role, as intended by Congress, in the section 24(c) program.
- Certain chemicals, companies, and states are apparently more prevalent in the section 24(c) program than others in this same program.

Data analysis during this audit has resulted in the formulation of the following recommendations which may help to ensure that both programs are utilized as Congress originally intended:

- The crisis exemption provisions of the section 18 regulations should be reviewed to determine if this part of the regulations should be eliminated or revised to ensure proper use.
- The criteria for an emergency should be better defined to ensure that only true emergency situations are covered; this, in turn, should preclude circumvention of section 3.
- The Agency should give priority in the tolerance-setting/registration activities to the pesticides uses being utilized under section 18.
- Due to an increasing volume of section 24(c) registrations, the Agency needs an updated and modified computer tracking system to help identify similar national or regional registration patterns.
- The Agency should develop a policy via the issuance of a standard operating procedure for responding to situations in which these similar widespread patterns of registration occur.
- The "Application for/Notification of State Registration" has recently been revised and approved by OMB. It is recommended that it be modified further so as to identify new additional uses of EPA-registered products. Almost 80% of all SLNs are for such additional uses.

II. INTRODUCTION

OBJECTIVE

The objective of this audit is to determine the effectiveness of the Emergency Exemption and Special Local Needs programs under FIFRA sections 18 and 24(c), respectively. More specifically, the purpose of this audit is to determine whether: (a) emergency exemption requests and special local need registrations are being handled in a timely manner, (b) exemptions are granted only when actual, bona fide emergencies exist, and (c) either program is being used in an attempt to replace or circumvent section 3 registration.

BACKGROUND

Under section 18 of the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA), the states may be exempted from the registration requirements of FIFRA if EPA determines that emergency pest conditions exist which require such an exemption. An emergency exists when (a) no pesticide registered for the use, or no alternative means of control is available to eradicate or control a pest, and an outbreak is present or imminent, (b) significant economic or health problems will occur without the use of the pesticide, and (c) the time available from discovery or prediction of the pest outbreak is insufficient for registration of a pesticide for the particular use.

FIFRA, under section 24(c), authorizes the states to register additional uses of EPA-registered pesticides to meet special local needs (SLNs). Congress intended for section 24(c) to allow the states, at their discretion, to register pesticides for "special local needs," i.e., an existing or imminent pest problem within a state for which the state lead agency, based upon satisfactory supporting information, has determined that an appropriate EPA-registered product is not available in sufficient quantities.

In the years that these programs have been operational, only one previous audit has been made to determine whether the Office of Pesticide Programs (OPP) has complied with the intent of these sections of FIFRA. In 1981, the General Accounting Office (GAO) conducted an audit of the section 18 and 24(c) programs and identified problems in the areas of state registrations of pesticides for similar or identical local needs in numerous states and repetitive emergency exemptions. GAO's recommendations were that the Agency:

a. Review each similar special local need registration to ensure that products or additional uses are being properly registered by the States,

b. Develop an information system which identifies emergency exemptions by state so that repetitive requests can be analyzed and reviewed for conformance with FIFRA guidelines, and,

c. Notify the states that repetitive emergency exemptions will not be approved unless their justification is fully documented.

GAO's three recommendations have been implemented. In addition to the GAO audit, the Agency decided to conduct its own internal audit to determine the programs' effectiveness as to how well and to what extent the states, companies, and EPA have implemented the provisions under these FIFRA sections.

APPROACH TO MEETING NEED

Data on section 18 exemptions on a fiscal year basis for a five-year period from FY 1978 through FY 1982 were collected and evaluated to determine the following: the number and kinds of exemptions requested per state, per chemical; the number of exemption requests denied; the number of renewals requested; the number of exemptions granted for minor uses; and the number of crisis exemptions issued.

Regarding the special local needs program, since the numbering system used to identify section 24(c) registration is based on the calendar year, this audit is based on the calendar year in order to facilitate data collection and evaluation. Data on section 24(c) registrations were collected and evaluated for a six-year period from January 1976 through March 1982 to determine trends and/or possible abuses in the program. The following types of data were collected: the number of active* section 24(c) registrations issued per state, per year and cumulative yearly totals; the percentage of applications disapproved by EPA and the reasons; the number of section 24(c) applications for unregistered versus registered products; the number of renewals taking place within a five-year period; the identification of companies holding large numbers of section 24(c) registrations; and the number of section 3 applications pending for section 24(c) registrations.

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*Active section 24(c) registrations include all registrations, including registrations that have expired with the state. Registrations cancelled or withdrawn by the state are not counted as active.

TYPES OF DATA - SECTION 18

The data analyzed in this audit cover the period October 1, 1977 (beginning of FY 1978) to September 30, 1982. Data sources include manual records and limited On-Line Tracking System (OLTS) information. The following data were generated and analyzed:

- number of exemptions requested on a per-state basis;
- number of exemptions requested on a per-chemical basis;
- number of exemptions denied and reasons for denial;
- number of states requesting same chemical/site combination;
- number of chemical/site combinations repeated for three or more years;
- number of repeatedly-issued emergency exemptions covered by pending permanent actions (tolerance/registrations);
- number of section 24(c) registration issued for EPA-registered versus new (unregistered) products;
- number of section 24(c) registrations issued for less than five years by state;
- section 24(c) registrations, indicating the product's current registration status under section 3 or section 5.
- number of section 24(c) registrations issued for added uses of EPA-registered products by EPA registration number and chemical;
- number of section 24(c) registration issued for unregistered products by chemical;
- listing of site/pest codes for SLN registrations sorted by registration number for EPA-registered products.

TYPES OF DATA - SECTION 24(c)

The data analyzed in this audit cover the period of January 1, 1976 to March 30, 1982. Data sources analyzed include manual records, the On-Line Tracking System, and the following computer printouts generated by Program Support Division:

- number of active section 24(c) registrations by state and year issued;
- number of section 24(c) registrations issued for EPA-registered versus new (unregistered) products;
- number of section 24(c) registrations issued for less than five years by state;
- section 24(c) registrations, indicating the product's current registration status under section 3 or section 5.
- number of section 24(c) registrations issued for added uses of EPA-registered products by EPA registration number and chemical;
- number of section 24(c) registrations issued for unregistered products by chemical;
- listing of site/pest codes for SLN registrations sorted by registration number for EPA-registered products.

III. STATE PROCESSING OF SECTION 18 AND 24(c) APPLICATIONS

As part of the audit of the section 18 and 24(c) programs, lead agencies for 20 states, two from each of the ten EPA regions (Massachusetts, New York, Pennsylvania, Florida, Wisconsin, Texas, Kansas, Colorado, California, Washington, New Hampshire, New Jersey, Virginia, Georgia, Minnesota, Oklahoma, Nebraska, Montana, Hawaii, Oregon), were contacted by telephone and asked five questions relative to their processing of section 18 and 24(c) applications. The questions and a brief discussion of the range and/or consensus of answers follows:

Question 1

Total number of section 18 and 24(c) applications reviewed by the state for calender year 1982 and the total of each forwarded to EPA (how well are the states screening?)

The responses to this question are as follows:

Responses to Question 1

(Time Period Covers January 1 - December 31, 1982)

STATE	# APPLICATIONS RECEIVED		# APPLICATIONS TO EPA		% APPLICATIONS TO EPA	
	SEC 18	SEC 24(C)	SEC 18	SEC 24(C)	SEC 18	SEC 24(C)
MASSACHUSETTS	Unable to provide requested information					
NEW YORK	11	6	11	6	100%	100%
PENNSYLVANIA	9	23	9	23	100	100
FLORIDA 1/			94	32		
WISCONSIN 2/					50	50
TEXAS	23	80	17	63	74	79
KANSAS 3/	3		2	25	66	
COLORADO 1/			1	5		
CALIFORNIA 3/	74		59	117	80	52
WASHINGTON	Unable to provide requested information					
NEW HAMPSHIRE	1	6	1	5	100	83
NEW JERSEY	21	27	21	24	100	89
VIRGINIA	6	42	6	38	100	90
GEORGIA 1/		36	5	20		56
MINNESOTA	9	23	7	15	78	65
OKLAHOMA	11	45	7	35	64	78
NEBRASKA	7	32	5	24	71	75
MONTANA	12	24	8	14	66	58
HAWAII	3	4	3	3	100	75
OREGON 1/			27	71		

1/ No records kept of received or rejected-only those issued by the state. (18, 24(c), or both)

2/ No figures available, percentage is estimate by state.

3/ No 1st party 24(c) denial figures available, 3rd party figures (32 issued, 29 rejected) used to compute percentage.
California defines: 1st party as county agricultural commissioner
3rd party as miscellaneous state agencies

It should be noted that a high percentage of the section 18s and 24(c)s being accepted and forwarded to EPA is not necessarily indicative of negligence or laxness in the state review process. In making such a determination, the information provided in response to question 4 should be consulted to determine who or what group is initiating the applications. For example, a state forwarding 100% of its requests to EPA when those requests are initiated only by the lead agency or cooperative extension service cannot automatically be considered to be less selective than a state forwarding 50% of its requests to EPA when those requests are initiated by manufacturers. In fact, the opposite may just as easily be true.

Question 2

Who or which organization in the state determines or defines a special local need/emergency situation?

In the overwhelming majority of the states this is a function of the state department of agriculture or environmental protection, often in conjunction with the cooperative extension service. Of the 20 states polled, Oregon, Nebraska and New York, have "review committees" consisting of representatives of not only the department of agriculture and cooperative extension service, but also land grant universities, agricultural experiment stations, grower and consumer groups, pesticide boards, etc.

Question 3

What is the average state processing time?

Average processing time varies widely in the individual states depending on resources and the procedures involved. Minnesota, for example, has a 30-day comment period before a section 18 or 24(c) can be requested or issued. Other states, such as New York and Florida, have applications reviewed by several different agencies in different locations, thereby lengthening processing time. Processing time in the states for section 18 requests ranges from one week to one year with an average time of approximately two to four weeks. Processing time for section 24(c) requests at the state level is also widely variable, ranging from two weeks to a year and a half, with an average time in most States of approximately one to three months.

Question 4

Who or what initiates the action, i.e., growers association, extension agent, company?

As a general rule, section 18 requests are initiated by in-state specialists such as the cooperative extension service, agricultural experiment station, Plant Pest Survey Program, county agricultural commissioners and the state department of agriculture or environmental protection. Occasionally, section 18 requests are initiated by growers (or commodity) associations. In several states, such as Massachusetts, California, Kansas and Minnesota, manufacturers are forbidden to petition the State for a section 18 exemption.

Section 24(c) special local need requests are initiated by a larger group of participants, including not only the in-state specialists and grower and commodity groups mentioned above, but also universities, the manufacturers/registrants themselves (often at the urging of, or in conjunction with, the Cooperative Extension Service or grower and/or commodity groups) and other diverse sources, such as Disneyworld in Florida. Massachusetts and California were the only states polled which expressly forbid a manufacturer/registrant to apply for a section 24(c) registration as well as for a section 18 exemption.

Question 5

What role do pesticide companies play in the state process?

Generally, pesticide companies are consulted in the state processing of section 18 and 24(c) requests to:

A. Concur on proposed use patterns involving their chemical;

B. Assure the company's willingness to open its files in order to provide necessary supporting data;

C. Assure availability of the product; and

D. Cooperate in the development of supplemental labeling.

As stated in question 4, manufacturers/registrants are often approached by grower/commodity groups and/or cooperative extension service agents and urged to submit a section 24(c) application for use(s) of that company's product(s) which have actually been developed and are recommended by the groups or agents. In fact, many states (such as Wisconsin, New Jersey, Virginia, Georgia, Nebraska, and Montana) require that the actual section 24(c) application be submitted by the registrant.

In most states, the companies are excluded from the section 18 process except to concur on the proposed use(s) of the product(s) which they produce, and, occasionally, to provide supporting data which the state or cooperative extension service is unable to generate.

Of the 20 states polled, only California volunteered the information that they specifically require as a condition of issuance of a section 18 or 24(c), that the pesticide companies seek section 3 registration and establish tolerances (where applicable) for the use(s) in question.

IV. SECTION 18 EMERGENCY EXEMPTIONS PROGRAM

PART 1 - PROCESSING INCOMING ACTIONS

Emergency exemption requests and notifications of crisis exemptions are processed by the Emergency Response Section, (ERS) Process Coordination Branch (PCB), Registration Division (RD). Exemption requests are reviewed initially to determine if the necessary information as required in 40 CFR Part 166 has been provided. Information not provided may be requested by telephone. In cases where the requesting agency does not substantiate the existence of an emergency situation and has no further information to be considered, an action memorandum from the Director, RD, to the Director, OPP recommending that the request be denied is prepared. A telegram to the specific state is also prepared which denies the request.

Emergency exemption requests which are reviewed and found to satisfy the requirements of the regulations are either sent to Hazard Evaluation Division (HED) for scientific review (if necessary) or processed by ERS. The determination as to whether the proposed use needs to be sent for scientific review is made after conferring with the Product Manager (PM) of the pesticide in question. If reviews for the proposed use have already been performed and all currently available data have already been considered, the request may be processed (without requesting further scientific input). If reviews are not available, a determination as to which HED science reviews are necessary, i.e., Residue Chemistry, Toxicology, Ecological Effects, or Environmental Fate Branch, is made and the request is forwarded to the corresponding HED branch(es).

The exemption requests may also be forwarded to the Technical Support Section of RD for a review of the efficacy of the pesticide and how it compares with that of registered alternatives, or the requests may be sent to the Economic Analysis Branch of the Benefits and Field Studies Division to determine the economic ramifications involved with the proposed action. Such reviews are requested on a case-by-case basis when there is a question as to whether an emergency exists.

An action memorandum is prepared when all of the needed reviews are complete. This memorandum recommends a specific course of action regarding the exemption request. It is prepared by ERS for the RD Director's analysis and recommendation to the OPP Director for a final decision and includes a discussion of the nature of the emergency and addresses the scientific considerations. A telegram is also prepared reflecting the recommendation in the action memorandum.

The Director, OPP, makes the final decision as to whether or not to grant the requested exemption and the package is returned to ERS for final processing. The telegram notifying the requesting agency of the decision is sent immediately and the Federal Register Staff is provided with the relevant information needed to prepare a Federal Register notice if the exemption is granted.

The complete process (from the time the exemption request is received until the time a final decision is made) should take no more than 50 days. For FY 1982 the average processing time was approximately 37 days. The reviews by HED branches are given high priority and assigned a 30-day turnaround time. A processing flow-chart is attached (Figure A).

Between January and March 1982, a Work Group comprised of EPA and state officials, environmental groups, and industry representatives met to discuss the emergency exemption program. The processing of emergency exemption requests was specifically addressed and the Work Group generally concluded that changes in the present system were not necessary.

STATUTORY AUTHORITY

Section 18 of FIFRA, as amended by the Federal Environmental Pesticide Control Act of 1972, authorizes the Administrator of EPA to exempt any Federal or state agency from any provision of the Act if he determines that emergency conditions exist which require such exemption. Regulations setting forth the procedures under which an exemption may be granted were promulgated December 3, 1973.

The regulations (40 CFR Part 166) provide a mechanism whereby a Federal or state official may apply to EPA for a specific exemption on a case-by-case basis. In those situations where it may be impractical to obtain a specific exemption such as in quarantine or public health programs, and in order not to jeopardize these programs, provisions are made for "quarantine-public health" exemptions. In other situations where the time element with respect to the application of the pesticide is so critical that it is not possible to apply for a specific exemption, provisions exist to allow for a "crisis" exemption. Such an exemption provides for those limited circumstances where immediate action is necessary.

PART 2 - AUDIT FINDINGS

The section 18 program experienced an enormous increase in the number of emergency exemption actions* submitted during the five-year period examined under this audit. The total number submitted increased over 260% from FY 1978 (199) to FY 1982 (724). The year-to-year increases were as follows: a 40% increase in the number of actions received in FY 1979 (282) over FY 1978 (199), a 45% increase in FY 1980 (409) over FY 1979 (282), a 13% increase in FY 1981 (462) over FY 1980 (409), and a 56% increase in FY 1982 (724) over FY 1981 (462). During this period, 2,076 emergency exemption actions were submitted and 2,036 actions were processed by OPP (Table 1).

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*This includes requests for specific and quarantine exemptions and amendments to these requests as well as crisis exemption notifications.

The following discussion focuses on some of the major reasons found to cause the yearly increases in activity in the section 18 program.

A. Factors Which Delay Tolerance-Setting/Registration and the Resulting Impact on the Emergency Exemption Program

Emergency exemptions under section 18 are sought by state and Federal agencies when products needed to alleviate emergency pest conditions are not otherwise available (i.e., not registered under sections 3 or 24(c)). Ordinarily, the requesting agency has become aware of the desired pesticide because of experimental testing being conducted under section 5, through pesticide screening studies in which state experimental stations have participated, through cooperative extension service agents, and/or grower/commodity groups.

For the majority of the emergency exemptions which have been requested, there is a petition for tolerance (either submitted by a registrant, or from IR-4 if a minor/specialty crop is involved) and a pending section 3 registration action, or an expected section 24(c) registration (following tolerance establishment). It would be expected by both the pesticide producer and the involved state agency that experimental testing for several years (maximum) would lead to registration under sections 3 or 24(c). However, this has not been the case in many instances. This situation has greatly contributed to the yearly increase in exemption actions through repeat emergency exemptions. Discussed below are some of the factors which have contributed to this problem. The total number of emergency exemption actions affected by one or more of these factors accounts for a minimum of 44 percent of all actions (Table 2).

1. Chemicals Supported by Industrial Bio-Test (IBT) Data

In 1977, a moratorium was placed in effect for all chemicals supported by IBT data. Section 3 registration for uses involving such chemicals was virtually shut down. The moratorium continued until the summer of 1979 when the policy was revised to allow the registration process to proceed where invalidation of IBT data resulted in only minor data gaps, however, not in those instances where it resulted in major data gaps (i.e., where pivotal studies were involved). Several of these chemicals have not only been involved in section 18 exemptions but have constituted relatively large percentages of total exemptions. For example, there have been 64 requests for acephate (Orthene), 29 requests for methamidophos (Monitor), 66 requests for paraquat since FY 1978 and nine requests for propachlor since FY 1979. In addition, for several years the Agency has received requests and granted exemptions for butachlor (Machete-10) and thiobencarb (Bolero-9); Bolero was registered for its first use in 1982. (This category accounts for a minimum of 187 actions or nine percent of all emergency exemption actions for the five-year period.)

2. Chemicals with Nitrosamine Contaminants

Three significant nitrosamine-containing chemicals have been the subject of requests under the emergency exemption program: trifluralin (Treflan), oryzalin (Surflan), and dimethylamine salts of dinoseb (Premerge). Five exemptions were granted for oryzalin on English peas from FY 1978 until that use was registered in FY 1982. There have been 11 requests for use of trifluralin and 14 for dinoseb since FY 1978. (This category accounts for a minimum of 30 actions or one percent of all emergency exemption actions for the five-year period.)

3. Chemicals Involved in the Rebuttable Presumption Against Registration (RPAR) Process

Until the past year or so, registration for any chemical in any stage of the RPAR process (from referral onward) was unattainable. Because of the constant shifting during which chemicals came on or went off the RPAR quarterly listings, it is not practical to provide a full accounting of the number of chemicals involved in emergency exemption requests which may have been or still are considered RPAR candidates.

Among such RPAR chemicals are benomyl (56 requests), carbaryl (11 requests), 2,4-D (15 requests), EBDC chemicals (maneb -2, zineb -2, mancozeb -3), paraquat (66 requests), Compound 1080 (11 requests), strychnine (17 requests), and trifluralin (27 requests) since FY 1978. (This category accounts for a minimum of 191 actions or nine percent of all emergency exemption actions for the five-year period.)

4. Cancelled/Suspended Chemicals

A number of chemicals for which certain or all uses have been cancelled and/or suspended have been involved in emergency exemption requests. These include chemicals which have actually been cancelled and/or suspended by the Agency such as DDT (8), heptachlor (9), chlordane (4), sodium cyanide (11), Compound 1080 (12), strychnine (14), aldrin (3), several chemicals cancelled voluntarily by the producers to avoid similar action by the Agency (Mirex-4, DBCP-2), and Ferriamicide (9), a form of Mirex which triggered legal action immediately upon granting the exemption in 1979 and again in 1982. (This category accounts for a minimum of 78 actions or four percent of all emergency exemption actions for the five-year period.)

5. Other Chemicals

The chemicals in this last category have data on hand which indicate that a risk factor does exist while in other cases existing data indicate a possibility (rather than probability) of risk which must be further investigated before determining appropriate final action on the chemical. Included among these chemicals are diclofop-methyl (Hoelon-9), diflubenzuron (Dimilin-5), amitraz (BAAM-16), azinphosmethyl (Guthion-29), permethrin-259, fenvalerate-130, and TPTH-12. In some of these cases, there is the added problem of the time required to reproduce a questionable chronic study. (This category accounts for a minimum of 460 actions or 22 percent of all emergency exemption actions for the five-year period.)

B. Policy Changes

Certain policy changes have also contributed to the increase in emergency exemption actions over the years. The definition of an "emergency" situation leads to differences of opinion as to whether a state is requesting an exemption for a chemical in order to meet an emergency need (as EPA interprets the original Congressional intent). As an example, following the release of OPP's December 1979 memorandum (Appendix A) to state lead agencies which set forth specific guidance in defining when an emergency situation is deemed to exist, a record 76 emergency exemptions were denied in FY 1980. Of these, 51 were denied on the basis of lack of emergency. This was more than double the number denied in any previous single year, both totally (FY 1978 - 5, FY 1979 - 36) and for lack of emergency (FY 1978 - 3, FY 1979 - 18) (Table 3).

The December 1979 memorandum also appears to have resulted in some states submitting fewer exemption actions in FY 1981, following the more detailed definition as to what constituted an emergency. This is exemplified by noting an increase of only 13% in the number of emergency exemptions received in FY 1981 over FY 1980. This is even more impressive when one considers that the next lowest increase was 40%.

The number of exemptions denied dropped again in FY 1981 (24 denied - 19 for lack of emergency) and for FY 1982 (18 denied - 6 for lack of emergency) (Table 3). This drop in the number of denials in the last two years has very likely resulted because of a greater reliance on information provided by states in their discussions of availability/ nonavailability of registered alternatives. A greater reliance on this information supplied by the states was, in part, necessary due to the decreased involvement by the EPA Regional offices in assessing whether an emergency situation did in fact exist. Due to this liberalizing shift, the definition of emergency has expanded to include several factors which were formerly excluded.

The major factor in liberalizing the definition of emergency is allowing the use of a chemical solely to increase previous crop yields. From the grower's viewpoint any possible increased yield he might have had is a loss if he is deprived of it. However, in the past, such a use would have been considered as a gain; therefore, the lack of a gain would be simply status quo, not a loss. Also, there have been denials of exemption requests in the past which claimed that the "emergency" was a need for such gains; these denials were based on, and supported by, OPP's December 1979 memorandum.

A second factor impacting on the emergency definition is allowing two different chemicals to alleviate one emergency. Although this was discouraged in the December 1979 memorandum, states claimed that extenuating circumstances made it imperative to have more than one chemical for an emergency in some cases. The number of states claiming such extenuating circumstances has since increased.

C. Pesticide Company Involvement in Exemptions

Several pesticide companies are the producers of certain chemicals which account for a large percentage of emergency exemption requests (Table 4). Among these are ICI Americas, Inc., the producer of Ambush (permethrin - 259 requests* since FY 1978) and Fusilade (fluazifop-butyl - 19 in FY 1982 - the first year requested); FMC Corporation, producer of Pounce (permethrin - 259 requests* since FY 1978) and Furadan (carbofuran - 18 requests since FY 1979), Shell Chemical Company, producer of Pydrin (fenvalerate - 130 requests since FY 1979), Ciba-Geigy Chemical Corporation, producer of Ridomil (metalaxyl - 68 requests since FY 1980) and Larvadex (azimethiphos - 22 requests in FY 1982 - the first year requested), E. I. du Pont de Nemours, Inc., producer of Benlate (benomyl - 56 requests since FY 1978), Mobay Chemical Corporation, producer of Mesurol (methiocarb - 91 requests since FY 1978), Bayleton (triadimefon - 67 requests since

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*A total of 259 requests for exemptions for use of the chemical permethrin were received from FY 1978 to FY 1982. The overwhelming majority of these requests were for use of both Ambush (ICI) and Pounce (FMC).

FY 1979), and Guthion (azinphosmethyl - 29 requests since FY 1978), and Chevron Chemical Company, producer of Orthene (acephate - 64 requests since FY 1978).

Pesticide companies have become increasingly involved in state emergency exemption programs utilizing their products. The companies have always had some involvement in these programs since they must be able to provide sufficient quantities of pesticides, assist in developing special labeling, and provide supporting data to the Agency. However, in more recent years, their involvement appears to have become more intense. This is exemplified by the rise in the number of permethrin requests submitted (12 in FY 1978 compared with 80 in FY 1982). In some cases, OPP has observed that the involved company provides the information needed to support the state's request for an emergency exemption (and occasionally writes the state's request) including addressing registered alternatives, agricultural economics, and details of the pest problem encountered. Moreover, there have been some cases where more than one state has submitted a virtually identical request, the only differences being in the number of acres to be treated and the number of pounds of pesticide to be used (occasionally, these numbers were added in different type faces). Media articles as well as discussions with state officials indicate that some companies have promoted the use of their products through the section 18 program.

Another instance which points to increased company involvement in the section 18 program is that there has been a significant increase over the past several years in the number of "new" chemicals involved in section 18 requests. Extreme cases have been those in which the request for an emergency exemption preceded the submission of an experimental use permit application (including metalaxyl on raspberries and sunflower seeds, Fusilade on cotton and soybeans, and Poast on cotton). The emergency exemption for the use of Poast on cotton was unique in that EPA, rather than a state/Federal agency, initiated the exemption - also preceding a EUP request. There has been a more significant number of cases where the emergency exemption request and the experimental use permit application have been submitted almost at the same time. Without company involvement, it is doubtful that the requesting state agency would know enough about the chemical to request its use to resolve the emergency situation.

The benefits derived by the companies through this sort of involvement in the emergency exemption program have included expedited review of data submitted to support an EUP application and then referred to in support of the emergency exemption. Reviews which normally have a turnaround time of 90 days are completed in weeks. These expedited reviews are justified by the need to control the emergency situation in a timely manner.

Another benefit to be derived is getting a new chemical onto the market before actual registration. This could allow the company a chance to gain a substantial share of the market of registered alternatives (including financial gains as well as early product recognition). Assuming that the new chemical will eventually become registered, the granting of the exemption would only result in normal marketplace competition at an earlier date.

On the other hand, some companies have also become involved in the exemption program, not by promoting use of their chemical under an emergency exemption but rather by questioning the need for an exemption in those instances where a chemical registered for a particular use is already available. Obviously, if the exemption is granted, that company stands to lose some part of the market place.

It is difficult to discuss the extent of company involvement in the section 18 program since such information is speculative, at best. Some involvement, as discussed previously, is essential. The important factor in instances where there is company involvement is that the requesting agency makes the determination that an emergency situation exists. Whether the company provides input to the actual request made to EPA or even if the company actually writes the request is of no consequence as long as the state/Federal agency maintains control of making the final determination of when such an exemption is necessary.

D. Local vs. Regional Emergencies

In the past, a new chemical/use pattern was ordinarily requested by a few states the first year. The next year, not only would these same states submit requests for the same use, but additional (usually neighboring) states would request the use. Until such time as the use was eventually registered, there would be additional expansion each year across state lines in states experiencing similar emergency situations. This is best exhibited by past emergency exemption actions involving the use of permethrin on potatoes. The number of actions increased from two in FY 1978 to seven in FY 1979 to ten in FY 1980.

In more recent years, it has become rare to receive a request for a new chemical/use pattern from only a few states even the first year. Recent emergency exemption actions for Larvadex (cyromazine) on poultry feed for which there were 22 actions in FY 1982 (the first year this use was requested) best exemplifies this trend.

Much of this activity may be attributed to company involvement. Some companies know a full season in advance which states will be requesting certain exemptions. Also playing a part in predetermined requests are specialty agricultural interest groups (e.g., grower associations for soybeans, citrus, cotton, mushrooms, wheat, and poultry; National Farm Bureau; and Sunkist) which spread the word among their members through newsletters, agricultural magazines (both articles and editorials), and by word-of-mouth from member to member. It is expected these days that if a request is received involving a new chemical for any of the crops/commodities mentioned above, several more identical or similar requests will be received. In many cases, there have been inquiries from grower groups, involved pesticide producers, and even congressmen and senators before the requests for emergency exemptions are received. This is a good indicator of how rapidly the word spreads.

This sort of activity helps to explain the steady increase in the number of emergency exemptions requested over the years. It also brings up the question of whether the definition of emergency has become too broad, in that a pest in one state on a particular crop automatically becomes an emergency in every state which grows that crop on a large-scale commercial basis. However, once the Agency agrees that an emergency exists for a use in one state, it becomes very difficult to refuse to grant the same exemption to other states that claim to have the same emergency. This is the same type of problem which occurs with relation to the section 24(c) state registrations where so many states claim a special local need (or emergency, in this case) that it appears to be no longer a localized or specialized situation. However, to allow/approve only a certain maximum number of actions would be arbitrary and discriminating. Of greater significance is the fact that pest problems are not contained by state borders or legal maxims. To deny a state an emergency exemption for a true emergency would defeat the original intent of this portion of the Act.

E. Marginal Emergencies

Recently, there appears to be an increased incidence in the number of requests for which "marginal" emergency conditions exist (i.e., where the existence of an emergency is a borderline case). Examples of these include requests from the Pacific northwest states for use of benomyl on wheat and requests from southern states for the use of the new chemical Fusilade (fluazifop-butyl) on soybeans. In both of these instances, companies with registered alternatives questioned the states' determinations that emergency conditions were present. Data submitted with the exemption requests did not decisively demonstrate the existence of emergency conditions.

Decisions of whether or not to grant emergency exemptions for "marginal" emergency situations characteristically involve direct input from specialists in the field (including extension personnel and researchers). This input provides examination of the situation from a different perspective and from one which is much more intimately involved with the problem. Information not originally addressed in the exemption request, or not to the extent necessary, which is provided by these specialists, is essential in making a determination in such instances.

F. Crisis Exemptions

The crisis provisions of the regulations governing section 18 have been increasingly utilized during the five-year audit period. Specifically, of the 308 crisis exemptions issued from FY 1978 to FY 1982, 17 were in FY 1978, 28 in FY 1979, 51 in FY 1980, 67 in FY 1981 and 145 in FY 1982 (Table 1). There was a 753% increase in the number of crisis exemptions issued in FY 1982 compared to FY 1978. The most dramatic increase in this number occurred in FY 1982 when there was a 116% increase over the number issued in FY 1981. The smallest increase occurred in FY 1981 when the number of crisis exemptions was only 31% higher than the year before.

The rise in crisis exemptions can be attributed to a number of factors:

1. Insufficient lead time - Despite the fact that state/Federal agencies have often been advised over the years (in the December 1979 memorandum, at SFIREG* and its predecessor group, SFFIAC** meetings, as well as in individual conversations/correspondence) about giving the Agency sufficient lead time when requesting emergency exemptions, this continues to be a major problem in the program. In many cases, a state/Federal agency will submit a request for exemption at or near the time the pesticide should be applied.

2. Use identical to previous exemption - A state/Federal agency is ordinarily less reluctant to initiate a crisis exemption if the same chemical/use pattern has been authorized by EPA in the past under an emergency exemption (to the same state and/or other states). The state/Federal agency assumes (usually correctly) that if the use was toxicologically supported before, it will be again. This viewpoint also leads to laxity in a requesting agency's concern for timeliness of submission of emergency exemption requests.

3. A false sense of security - A few state/Federal agencies have initiated crisis exemptions based on the fact that they do not believe that EPA will aggravate a situation which could result in seizure and destruction of pesticide-contaminated commodities, such as by denying the requested exemption and refusing to designate an allowable

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* State FIFRA Issues Research and Evaluation Group
** State Federal FIFRA Implementation Advisory Committee

residue level for FDA purposes. Examples include California's "going crisis" for several new chemical/use patterns and a number of southern and midwestern states declaring crisis exemptions for permethrin on soybeans after being advised by EPA that unresolved toxicological questions prevented the Agency from granting specific exemptions. However, the state/Federal agencies have so far never initiated a crisis exemption in any case where EPA has denied a request or disallowed certain provisions of the request (e.g., EPA allows use on citrus but prohibits feeding of citrus pulp).

The enormous increase in the number of crisis exemptions issued during this five-year period indicates probable overuse of the crisis provisions by some state/Federal agencies. The 753 percent increase in the number of crisis exemptions issued in FY 1982 compared to FY 1978 is disproportionate to the 260 percent increase in all emergency exemption actions for this same period. Furthermore, over 60 percent of all crisis exemptions were issued by ten state/Federal agencies (Table 5). California has been most active in issuing crisis exemptions and accounts for 26 percent of all such exemptions during the audit period. In FY 1982, California issued 43 crisis exemptions, which is more than any other state/Federal agency issued during the entire five-year period. While it is not unexpected that California is the most active overall in the exemption program, given the diversity of the agricultural industry there, the increase from four crisis exemptions in FY 1978 to 43 in FY 1982 points to an increased dependence on this mechanism to deal with emergency situations.

A letter was received from California in September 1982 after concerns were raised by OPP regarding its increased use of the crisis provisions of section 18. That letter explained some of the circumstances which contributed to this increase (e.g., insufficient lead time given to the state by applicants requesting the exemptions) and how California is attempting to reduce the need for exercising the crisis exemption provisions in the future (e.g., evaluating the situation three months prior to the expiration of an exemption to determine future needs).

Other states are also utilizing the crisis provisions more frequently. Texas, which had issued four crisis exemptions for each fiscal year since 1979, issued 13 in FY 1982. Similarly, Florida and North Carolina, which had issued no more than one crisis exemption per year since FY 1978, issued six and five such exemptions, respectively, in FY 1982.

The increase in the number of crisis exemptions can be better understood by noting that only nine state/Federal agencies issued crisis exemptions in FY 1978, 11 in FY 1979, 20 in FY 1980, 25 in FY 1981 and 38 in FY 1982. Overall, 44 state/Federal agencies utilized the crisis provisions during the audit period.

G. Increased Utilization of Section 18 by Federal Agencies

Several Federal agencies have participated in the section 18 program over the years, including the Department of Defense (Corps of Engineers), the Department of Interior (Fish and Wildlife Service), and the Department of Agriculture. The major participant is the U.S. Department of Agriculture, primarily the Animal and Plant Health Inspection Service (APHIS). APHIS has become more involved in the exemption program than it would have preferred because of EPA's insistence that APHIS' quarantine manuals conform to EPA regulations.* (USDA is second only to California in the number of emergency exemption actions submitted during this audit period (Table 6).)

H. Other Influencing Factors

State agencies are subject to political influence in the same fashion as Federal agencies, usually to a greater degree since many of the officials in the state agencies are appointed to their positions by an elected official. Any substantive pressure against the elected official will be reflected in pressure on the appointed official. It is plausible that such tactics could be successful in influencing a state program or a state's activity in a Federal program. Although there is scant evidence of the occurrence of such tactics, this was determined as a result of off-the-record conversations with a few state officials.

Another influencing factor is the farmer whose livelihood is at stake. At best, the small farmer usually breaks even financially. He needs to be alert to changes in technology which will allow him to increase yields and improve his profit margin. Discussions with state extension experts, pesticide company representatives, grower associations, and fellow farmers will eventually point out the existence of new pesticides which can improve productivity. It is understandable that the farmer will not easily accept being told that the new pesticide is not accessible to him (especially if it should become accessible to farmers in other states via section 18). Faced with pressure from such farmers and grower associations, the state agency could have the basis for its determination of an emergency situation.

I. Net Effects on the Emergency Exemption Program

The foregoing discussion has pointed out the major reasons found to be causing the large increase in emergency exemption actions submitted over the five-year audit period. Typically, once an emergency exemption is granted, it will be requested again until the use is registered. The number of use patterns utilized under an emergency exemption which did not have to be requested the following year because registration was attained during this audit period is very small. It is readily observed, therefore, that a cumulative effect on the number of exemption actions occurs each year as new uses of chemicals are added to the repeated uses.

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*Prior to 1972, pesticide use was not controlled by EPA. Federal agencies, as well as anyone else, could use a pesticide however they preferred, as long as it was shipped in accordance with FIFRA. The 1972 amendment to FIFRA gave EPA control over use as well as shipment of pesticides. It thus became apparent, eventually, that many of APHIS' quarantine uses, recommended in their various manuals, were not in accordance with EPA-accepted labeling on registered products. In 1980, APHIS formally submitted their quarantine manuals to EPA for evaluation to determine which recommended uses were not in compliance. In 1981, APHIS requested emergency exemptions for 57 noncompliant uses. It is not likely that these uses will be covered in any other manner in the foreseeable future since the pesticide companies involved have no incentive to pursue the changed use patterns - and thus get involved in data compensation and data reevaluation with no additional profit. Furthermore, since APHIS has no other mechanism to resolve the situation, we can expect these 57 (plus or minus) exemptions to be repeated year after year.

J. Predominance of Certain States in the Exemption Program

Over the years, some states have utilized the emergency exemption program extensively. Most of these states have either large acreages of a few commercially-important crops (e.g., Washington and Texas) or a large variety of smaller-acreage specialty crops (e.g., New Jersey); California and Florida are good examples of states with both situations.

Generally, the yearly increase in the number of exemption actions submitted can be attributed to a relatively small number of states, as exhibited by the ten agencies most active in the emergency exemption program from FY 1978 to FY 1982 (Table 6) which account for approximately 55% of the total exemption actions submitted. The number of actions submitted includes notifications of crisis exemptions as well as requests for emergency exemptions. It is to be expected that those agencies with annually increasing activity in the program will utilize both phases to a greater degree (Tables 5 and 6). (It should not be surprising that so few states account for such a large percentage of all activity in the emergency exemption program since these states produce the majority of the nation's food.)

K. Predominance of Certain Chemicals in the Exemption Program

Approximately 157 different chemicals have been used under the emergency exemption program from FY 1978 to FY 1982 (Table 7). The number of chemicals used has risen over the years from 59 in FY 1978; 72 in FY 1979; 84 in FY 1980; 102 in FY 1981 and 100 in FY 1982. The chemical involved in the most number of actions (excluding amendments) during the audit period was permethrin which had 259 actions (13.2 percent of all actions submitted). Fenvalerate was the next most active chemical with 130 actions (6.6%), followed by methiocarb with 91 (4.6%), triadimefon with 67 (3.4%), paraquat with 66 (3.4%), acephate with 64 (3.3%), benomyl with 56 (2.9%), methyl bromide with 40 (2.0%), sodium chlorate with 33 (1.7%), methamidophos with 29 (1.5%) and azinphosmethyl with 29 (1.5%). These ten chemicals account for 43 percent of all of the exemptions from FY 1978 to FY 1982. Furthermore, the top 15 chemicals account for approximately 49 percent of the exemptions for this audit period (Table 4).

Actions during this period involved the use of insecticides, rodenticides and bird repellents for 59.4 percent of the emergency exemptions, herbicides and plant growth regulators for 20.7 percent and nematicides for 19.9 percent. These percentages remained fairly constant throughout the five-year period.

With the exception of permethrin and possibly fenvalerate, it would appear that there are no chemicals involved in an inordinate number of emergency exemptions. The occurrence of permethrin and fenvalerate in such a large number of emergency exemptions could be due to those chemicals' wide spectrum activity on a large number of crops. Another possible explanation is that the companies which manufacture these chemicals could be promoting the use of them under emergency exemptions. As discussed in a previous section, both permethrin and fenvalerate tolerance/registration actions experienced delays during the audit period. This could indicate circumvention of the section 3 process.

L. Repeated Emergency Exemptions

The number of emergency exemptions repeated for three or more years was evaluated to determine how frequently this occurs. A total of 83 use patterns (i.e., chemical/sites) were found to be repeated three years or more with 39 repeated for 3 years, 25 for 4 years, 7 for 5 years and 12 for over 5 years

(Table 8). Such actions account for 34 percent (674 actions) of the total emergency exemption actions during the 5-year period. (It is estimated that repeated exemptions (including those repeated two years) account for approximately 50 percent of all actions in a given year.)

The chemicals involved in the repeated exemptions were also evaluated to determine if there was a trend. A total of 41 (50 percent) of the 83 use patterns involved chemicals for which, as discussed in the beginning of this audit, delays have been experienced in tolerance-setting/registration actions (e.g., IBT data supported chemicals, RPAR chemicals, etc.). Pesticide petitions/registration actions were/are currently pending for over 75 percent of these uses.

OPP has been aware of the situation of repeated emergency exemptions. Concern regarding this was expressed in the December 1979 memorandum (Appendix A). In that document it was explained that section 18 was not intended to be a substitute for section 3. It instructed state/Federal agencies requesting the same exemption year after year to solicit help from companies producing the product involved to ensure that data are gathered and submitted in support of registration or search for alternative pesticides which can be registered. However, the vast majority of the repeated exemptions already have pending tolerance/registration actions. It has been the policy of OPP to evaluate requests for repeat exemptions on a case-by-case basis without regard to the number of years the exemption has been repeated as long as good-faith efforts are being made to register the use.

In instances where the repeated exemptions are for uses which are unlikely to be registered, the requesting agency is advised to investigate alternative chemicals in dealing with the emergency situation. Evidence of progress regarding such efforts is required to be submitted if the repeated exemption is requested again and this information is then considered in the decision regarding whether or not to allow further use under an exemption.

M. Agency Determination of Emergency Conditions

Each exemption request is reviewed on an individual basis to ensure that emergency conditions exist. Even in those instances where different agencies request similar exemptions, each must document the existence of an emergency. No single criterion is used in this determination, rather it is a combination of considerations which contribute to the evaluation.

Specific information regarding when an emergency is deemed to exist is detailed in the December 1979 memorandum (Appendix A). Included are such requirements as what are the registered alternatives and why they cannot be used to deal with the emergency situation, and the economic losses/benefits associated without/with the proposed use. Factors such as the cost of the pesticide are considered in the evaluation of the situation, but are not sufficient in themselves to justify the existence of emergency conditions. Isolated exemption requests have also involved benefit/risk analyses in consideration of whether an alternative pesticide is available; however, such instances have been uncommon.

Although the Agency is solely responsible for the final determination that an emergency exists, it relies heavily on the evaluation provided by the requesting state/Federal agency. In those instances where the existence of an emergency situation is in question, additional information/clarification is requested. If this does not resolve the problem, the state/Federal agency may be asked to withdraw the request or the request may be denied.

The total number of exemption actions denied during the audit period accounts for only 7.8 percent of all actions. This represents only 159 denials of which 97 were denied on the basis that no emergency was deemed to exist (Table 3). The fact that less than five percent of all emergency exemption actions were denied on the determination that emergency conditions did not exist would indicate that state/Federal agencies are complying with the intent of section 18.

Further support of a state/Federal agency's scrutiny in its evaluation of emergency situations is corroborated by the results of a 1979 OPP project which investigated allegations that registered alternatives named in exemption requests were ineffective. The registrants of the products involved were contacted and asked what action they intended to take to reconcile the situation (i.e., label claim modifications/ deletions). In virtually every instance, the registrants admitted that the product in question did not work at its optimum 100 percent of the time and that variations in weather, soil type, geographical location, and agricultural methods as well as pest resistance always greatly affect the results realized from pesticide use. Of particular significance is the fact that none of the allegations of ineffectiveness of the registered alternatives made by the state/Federal agencies was challenged by the registrants.

In addition to the guidance provided by the December 1979 memorandum, a September 1982 memorandum (Appendix B) was sent to state lead agencies to clarify the use of Section 18. That document pointed to an increase in the number of emergency exemption requests which were classified as borderline and asked for increased sensitivity in making a determination that emergency conditions exist. In those instances where exemptions are granted in borderline emergency situations, stringent conditions are imposed to ensure that the exemption is used only in true emergency situations.

N. Agency Responsiveness To Emergency Needs

The majority of requests for emergency exemptions are responded to in sufficient time to allow the users to resolve the emergency, providing the state/Federal agency has given EPA sufficient lead-time to process the request and providing that sufficient data are available upon which to base a favorable decision. In the past, our primary concern in prioritization of exemption actions has been the emergency needs, i.e., when must the pesticide be applied or available in order to resolve the emergency situation. However, along with that concern there is now also a concerted effort being made throughout OPP to meet certain turnaround times for all incoming submissions. While there could occasionally be a conflict as to which date should get precedence, the program's objective is to respond to emergency requests within the targeted goal of 50 days, even in those cases where the exemption is not needed until later.

In cases of dire emergencies, the Agency has been able to grant an exemption on the same day as the request is received; otherwise the average turnaround time for processing requests is 37 calendar days (during FY 1982). This average turnaround time has remained essentially the same for the past two years (down from 46 calendar days three years ago). Although the number of requests increased (from 409 in FY 1980, to 462 in FY 1981, to 724 in FY 1982), the number of PCB/ERS personnel did not increase until the acquisition of two new members to the staff in August 1982.

To successfully process an ever-increasing number of requests has required constant reevaluation of processing methods. Various time-saving devices have been implemented: (1) action memoranda have been shortened in some instances to refer to past memoranda for pertinent information and shortened in general to eliminate elaborate (helpful but not absolutely essential) descriptive passages; (2) similar streamlining treatment in writing telegrams to the requesting state; (3) temporary abandonment of followup on whether or not a state has submitted required final reporting; (4) no longer acknowledging in writing the receipt of requests for exemption; (5) administrative group processing of similar requests so that a single memorandum will cover more than one request; and (6) creation of a cross-reference filing system allowing for rapid identification of similar pending or past exemptions which may have information which will be useful in processing a current request.

PART 3 - CONCLUSIONS

With the exception of the crisis exemption provison, the section 18 emergency exemption program has generally been properly utilized. It has been an effective tool for handling emergency situations which might otherwise have resulted in significant economic losses (the majority of cases), establishment of quarantinable pests (such as the California medfly), or hazards to the public health (such as the threat of rabies posed by diseased skunks and bats). Emergency exemptions have been used to protect endangered species from predators (i.e., whooping cranes at Grays Lake Refuge, Aleutian Canada geese on Agattu Island), to control Pharaoh ants attacking burn patients at a U.S. Army medical facility in Texas and valuable living-insect exhibits at the Cincinnati Zoo, to suppress infestations of gypsy moths and tussock moths in extensive forest areas which otherwise might have suffered severe defoliation leading to tree death, to control termites which were denuding U.S. Army Corps of Engineers flood control structures, thus causing erosion of these structures, as well as to control a wide variety of pest problems, both agricultural and nonagricultural, throughout the United States and its territories. Some of these problems involve considerable economic benefit whereas others may involve little (such as problems that may be non-tangible or aesthetic in nature). The emergency exemption program helps provide for increased food production (improved per-acre yields), increased economic benefits to growers (which could make the difference between a profitable crop and a nonprofitable one), and otherwise provides a means of resolving what could be disastrous situations.

The current system utilized in processing emergency exemption requests is efficient. The majority of emergency exemption requests are responded to in sufficient time to allow the users to resolve the emergency. Internal procedures have been streamlined, thus allowing the processing of an increasing number of actions more efficiently without increasing the turnaround time. The high level of quality does not appear to have suffered despite no increase in staff personnel until late FY 1982.

The number of emergency exemption actions (including requests for specific/quarantine/public health exemptions and notifications of state-initiated crisis exemptions) has increased dramatically (over 260%) from 199 actions in FY 1978 (the first year covered by this audit) to 724 in FY 1982 (Table 1). This dramatic increase can be attributed to the following (discussed more completely in the text):

- Delays in normal tolerance-setting/registration processing of certain chemicals where there is a pending action for the same use as requested under section 18; contributing factors include the existence of IBT data, nitrosamine problems, RPAR chemicals, unresolved toxicological questions (e.g., permethrin), etc.

- Liberalized changes in policy regarding what is considered to be an emergency to reflect changes in administration viewpoint;

- Increased involvement by pesticide producers and specialty agricultural groups;
- Increased incidence of marginal emergencies;
- Increased incidence of "regional" (e.g., southern soybean growing states) vs. local (i.e., within one state) emergencies;
- Increased utilization of crisis provisions;
- Utilization of section 18 to bring quarantine programs into compliance with FIFRA;
- Increased familiarity with section 18 program.

The question of whether section 18 is being used to circumvent section 3 is difficult to answer. Section 18 was created specifically to allow unregistered pesticide uses in emergency situations. This in itself could be interpreted as condoning circumvention of section 3. To prove section 3 circumvention, one would likewise have to prove that the state/Federal agency has requested an emergency exemption in the absence of an emergency situation. To ensure that section 18 is not utilized to circumvent section 3, the criteria outlining an emergency situation should be better defined.

PART 4 - RECOMMENDATIONS

Based on the results of this audit, the following recommendations are offered for consideration:

- The crisis exemption provisions of the regulations should be reviewed to determine if this part of the regulations should be eliminated or revised to ensure proper use.
- The criteria for an emergency should be better defined to ensure that only true emergency situations are covered; this, in turn, should preclude circumvention of section 3.
- The Agency should pursue better ways to accelerate dissemination of outgoing information to state/Federal agencies.
- The Agency should give priority in the tolerance-setting/registration activities to the pesticide uses being utilized under section 18.

V. SECTION 24(C) SPECIAL LOCAL NEEDS PROGRAM

PART 1 - PROCESSING INCOMING ACTIONS

States are required by regulation to notify EPA in writing within 10 working days of issuing section 24(c) registrations. In almost all cases, state notification forms are dated the same day that the state registration is issued. Generally, notification forms, supplemental labels and any other accompanying information from the state are received by EPA between one to three weeks after the issue date of the registration. The Process Coordination Branch (PCB), Registration Division (RD) is responsible for administrative "front-end" processing of section 24(c) registrations. PCB prepares a jacket for each section 24(c) registration containing the notification form, supplemental label, any other information and/or data, and appropriate coding forms for application tracking purposes. When data accompanies a registration, PCB personnel accession the data, forward a copy of the data to the Information Support Branch, Program Support Division for data file maintenance and microfilming and insert a form identifying the accession number in the jacket. PCB contacts the states if necessary to request missing or correction of erroneous information. After PCB personnel enter the registration information in the state log book which is maintained by year and state, registrations are forwarded, based on product type, to the appropriate RD branches for distribution by the Section Heads to the PM Teams.

The PM Team members review the registrations to ensure compliance with section 24(c) of FIFRA and the rules and regulations governing state registrations of pesticides to meet special local needs. On an interim basis, because of insufficient PCB resources, PM team members are creating the section 24(c) registration files with pertinent information on the On-Line Tracking System (OLTS). However, this function is expected to be handled by PCB personnel very soon. After registration reviews are completed, PM team members input additional OLTS information required for the section 24(c) program and return the jackets to PCB.

Because RD decided to centrally locate the 24(c) file, PCB maintains the registration jacket files for the program including the regulatory decisions made by the PM Teams on each section 24(c) registration. PCB personnel send all new registrations to the contractor (Raven Task I) for coding to update the IBM computer system file on section 24(c) registrations. PCB personnel also assist the contractor in solving any coding problems. Upon completion of the coding, jackets are returned to PCB for filing. Simultaneously, while registrations are being coded by the contractor, PCB personnel prepare periodic lists of section 24(c) registrations received by OPP for Federal Register publication. A processing flowchart, Figure B, is attached.

PART 2 - AUDIT FINDINGS

Processing of section 24(c) registrations by the Agency and the state's ability to meet various submission requirements were examined first for this audit. This review was performed to note any trends or possible processing problems.

A review was performed to note whether states were complying with the section 24(c) regulations which require that they notify EPA within 10 working days concerning the issuance of a registration. The Agency is allocated 90 days in which to review such registrations; however, Agency review time is not restricted in situations where disapproval is being considered because 40 CFR 162.154(c) provides that "...the Administrator will make a final decision on disapproval within 90 days of the date on which EPA receives notification of the state registration."

Compliance with the 10-day notification requirement was determined by counting the working days between the section 24(c) registration issue date and the EPA-received date listed in the 1981 state log book. Review of the dates indicated that most states are complying with the 10-day notification requirement. However, for the States of Iowa and Nebraska, 95% of the state registrations required between 16 to 30 working days from the issue date for EPA notification. In the case of Puerto Rico, 100% of its registrations required 75 or more working days for EPA notification. For the States of Kansas and Indiana, EPA notification occurred between 16 and 30 working days after the registration issue date for 41% and 31% of the state's registrations, respectively.

The section 24(c) regulations also dictate that states will submit to EPA the following information in support of a registration: the effective date of the registration, a Confidential Statement of Formula for any new (not EPA-registered) product, a copy of the draft label reviewed and approved by the state and, within 60 days, submission of a final printed label. An analysis of the data indicates that

132 new registrations were received between July 12 and August 27, 1982. For that period 20% of the new registrations were missing essential pieces of information (usually the Confidential Statement of Formula was missing; occasionally the draft labels were missing) required under the section 24(c) regulations.

As stated earlier, the Agency must make a final decision on disapproval of a state registration within 90 days of the effective date of registration. Assuming a typical notification is received within two weeks of issuance, the Agency must complete processing and review of the registration within 76 days. During the third quarter of FY 1981, the PM Team received the state registration jacket for review, on the average, 45 days into the 90-day period. In extreme cases, prior to the interim procedures, the PM Teams did not receive the section 24(c) jackets until after the 90-day period had elapsed. Because of the 90-day time limit, it is critical that the PM Teams receive section 24(c) registrations as soon as possible after receipt by the Agency. A memorandum issued on November 13, 1981, initiating interim procedures for processing section 24(c) registrations, corrected the problem of delays in PM Teams receiving section 24(c) registrations. Figures for the first and second quarters of 1982 indicate that the PM Teams received the jackets with an average of 73 days and 66 days remaining in the 90-day period, respectively. For the third quarter, jackets were received with 57 days remaining for review.

The average review time (time elapsed from date received by PM to response date) for over 90% of the section 24(c) registrations received the first two quarters of FY 1982 was seven days. So, for most situations, the time remaining in the 90-day period was not critical. However, for about 10% of the registrations (those requiring HED review of data, disapproval or policy decisions by RD or OPP management officials) the average time elapsed between date received by PM and final response date was approximately 71 days. Since it is not possible to determine which registrations will require the longer review time until they are received by the PM Teams, it is important that the teams receive all registrations as soon as possible after the EPA-received date. For that reason, the PCB policy of front-end processing within a five-day maximum should continue in effect.

A review of the average processing time (time elapsed from EPA-received date to PM response date) indicates that OPP review and processing of section 24(c) registrations and amendments have improved steadily over time. The average processing time year-to-date for FY 1982 is as follows: 1st quarter - 69 days, 2nd quarter - 59 days, 3rd quarter - 51 days, and 4th quarter - 47 days. This downward trend in the average processing time indicates OPP's improved ability to process registrations and amendments within the statutory 90-day review period even when allowing two weeks for receipt of registrations by EPA.

A. NUMBER OF RENEWALS TAKING PLACE

FIFRA section 24(c) registrations are deemed registrations under section 3 for all purposes of the Act for use and distribution only within the issuing state. Generally, states have been issuing section 24(c) registrations for five-year periods. This review was performed to see if any states were issuing repeat registrations for less than five-year periods, thereby increasing OPP's workload through increased numbers of registration reviews. Data review indicates that several states are issuing state registrations for periods of less than five years. The 18 states that have issued more than 10% of their section 24(c) registrations for periods of less than five years are indicated on Table 9.

Six of these states (NY, MS, NH, MO, SC and MA) have issued virtually all of their state registrations for a period of less than one year.

In order to detect an increase in OPP's workload because of more frequent registration of SLNs, PM records were reviewed for any indication of identical SLN registrations appearing year after year for the states listed above. No evidence of renewals was found, indicating that although these states have been issuing registrations for less than 5 years, they have not increased OPP's workload by reissuing identical registrations after the expiration of earlier registrations.

Table 10 is provided as a sample listing of the registrations of two of the states. Shown are all of New York's registrations (assigned to PM Team 23) between 1978 and March 30, 1982, and all of New Hampshire's registrations, since this state issued only a few registrations between 1978 and March 30, 1982. Review of the tables indicates that both New York and New Hampshire have not reissued identical registrations in subsequent years.

Table 11 also provides a firm indication that states are not reissuing identical registrations. Mississippi had issued a large number of section 24(c) registrations for use of DSMA and MSMA on cotton during 1980; however, none of these were renewed for 1981. Several 1981 registrations were issued by that state for DSMA and MSMA, but in every instance the EPA-registered product was different from the product registered by the state the previous year. No DSMA or MSMA registrations have been received from Mississippi this year.

B. CIRCUMVENTION OF SECTION 3 REGISTRATION REQUIREMENTS

There has been some concern expressed that the section 24(c) program is frequently used to circumvent section 3 registration requirements. In order to determine whether circumvention is actually occurring, a review was made of the registrants' response to question 10 on the section 24(c) application/notification form. Question 10 on the form is stated as follows:

> "Has an EPA registration of--or experimental use permit for--the product ever been sought, issued, denied, cancelled, or suspended?"
>
> ________ NO ________ YES

The yes or no response to this question provides an indication of whether a section 3 registration or an EUP has ever been sought or issued for the product since the other choices (denied, cancelled, or suspended) can actually be disregarded because in such cases a section 24(c) registration would not be issued. In addition, if an EUP has been sought or issued rather than a section 3 registration, this would still be a good indication that the registrant intends eventually to obtain a section 3 registration.

Table 12 statistics were developed from the registrants' response to Question 10 at the time of application to the state. Fifty-one percent of the section 24(c) registrants indicated that an EPA registration (or EUP) for the product (use) had not been sought for both EPA-registered and unregistered products. For EPA-registered products, EPA registration of the new use or an EUP had not been sought for 44% of the SLN's. For non-EPA-registered products, registrants indicated that EPA registration or an EUP had not been sought for 76% of the SLN registrations. Table 12 shows a complete breakdown of these totals by Branch and PM.

Review of the above statistics suggest that numerous incidents of circumvention of the section 3 registration requirements are not occurring. Approximately half of the section 24(c) registrants indicated by a positive answer to Question 10 that a section 3 registration or an EUP had been sought or issued for the section 24(c) product (use). However, these same statistics also indicate the possibility of circumvention of the section 3 registration requirements for section 24(c) registrations of non-EPA-registered products since three-quarters of the section 24(c) registrants of non-EPA registered products indicated by a negative response to Question 10 that a section 3 registration or an EUP had not been sought or issued for the section 24(c) product (use). Since section 24(c) registration for non-EPA registered products account for only one-fifth of all section 24(c) registrations, the statistics for all section 24(c)'s still refute any allegation of frequent or numerous cases of circumvention of the section 3 registration requirements.

It should be noted that section 3 registration is not required prior to, concurrent with, or subsequent to application for 24(c) registration. However, if an applicant should seek registration under section 24(c) for a use which is not truly a special local need or which develops into an interregional or nationwide need, registration should be sought under section 3.

The following are examples of section 24(c) registrations for non-EPA registered products that do indicate possible circumvention of section 3 registration requirements because of similar widespread use patterns.

1. In November 1979, Mobay applied for an added use section 3 registration for Oftanol 5% Granular and Oftanol 20% Granular. EPA objected to the application in March of 1980 because of fish and wildlife hazards. Mobay later applied for and received identical section 24(c) registrations for Oftanol 5% Granular in 22 different states. The O.M. Scott Company, which markets a product having the same active ingredient as Mobay's product (Oftanol) and which bears the name Proturf Insecticide 4, applied for a section 3 registration in March 1980. Since O.M. Scott referenced all of Mobay's data, which was insufficient, O.M. Scott's section 3 application was rejected in March 1980. O.M. Scott later applied for and received section 24(c) registrations in eight states for use of this product on the same sites and against the same pests as proposed for their section 3 registration. O.M. Scott has since obtained other identical registrations in other States.

2. In July 1981, the Burroughs Wellcome Company filed a petition to raise permethrin tolerance levels for milk, meat, eggs and poultry uses. After completion of the review in March of 1982, EPA decided to publish the tolerance because the questions that surfaced concerning oncogenicity and carcinogenicity were resolved. Meanwhile, the Burroughs Wellcome Company has applied for and received identical section 24(c) registrations in 10 States for its Atroban Wettable Powder (permethrin) for use on livestock and poultry premises. Burroughs Wellcome has also received identical section 24(c) registrations in 21 states for its Atroban Cattle Ear Tag. However, this product received section 3 registration in May of 1982, so these section 24(c) registrations, which were received prior to May 1982, ought to be cancelled or withdrawn by the state as they are no longer necessary.

3. Philips Roxanne's May 1980 section 3 application for registration of Permectrin (permethrin) 10% Emulsifiable Concentrate has not been approved because this is a new

pattern involving indoor direct animal application. Meanwhile, Philips Roxanne applied for and received identical registrations in 33 different states.

Four other companies have a sizable number of identical registrations in different states for unregistered products. However, these companies have not filed an application for a section 3 registration. The companies with their product(s) and the number of states with identical registrations are as follows: Y-Tex Corporation has identical registrations in 21 different states for Gardstar; Hess & Clark, Inc., has identical registrations in 14 different states for Insectrin Wettable Powder and 11 identical registrations in different states for Insectrin Emulsifiable Concentrate; Philips Roxanne has identical registrations in 28 different states for Overtime Long-Acting Livestock Premise Insecticide; and Ralston Purina Company has identical registrations in 16 different states for Purina Hard Hitter Wettable Powder and identical registrations in 15 states for Purina Hard Hitter Emulsifiable Concentrate.

For section 24(c) registrations involving additional uses of EPA-registered products, those products for which 25 or more SLN registrations had been issued were closely examined. A review was performed to note repeated registrations of the same use (based on the site/pest printout) in ten or more states. The number of ten or more states was chosen as an indicator of regional or nationwide use patterns of registrations. Of the registrations examined, the following seven situations show such widespread use patterns:

1. Leffingwell Chemical Co., a division of Thompson Hayward, obtained SLN registrations for their product "Hinder" as a deer and rabbit repellent in at least 12 states (AR, KS, KY, ME, MO, NC, OR, PA, TN, TX, VA and WA) prior to submitting an application to add this use to their EPA label on July 27, 1979. During the period 1979 through 1981, Leffingwell obtained SLN registrations for the same use in 19 additional States (AZ, CO, CT, ID, IL, IN, LA, MD, MI, MT, NE, NM, NV, OH, OK, SC, UT, VT, and WV). The use was EPA-registered on April 7, 1982.

2. Diamond Shamrock Corporation has obtained section 24(c) registrations in nine States (DE, IN, MD, MI, NJ, NY, OH, PA, and VA) for use of their fungicide "Bravo 6F" to control Septoria leaf spot on tomato. These SLN's were issued between 1978 and 1980. On June 6, 1981, Diamond Shamrock submitted an application to amend their EPA registration by adding this use to their label. The amended label was approved on October 19, 1981.

3. Monsanto Company obtained ten section 24(c) registrations during 1977 and 1978 for use of Roundup (EPA Registration No. 524-308) as a post-emergent spot treatment in barley, corn, oats, sorghum, soybeans and wheat (DE, IA, IN, KS, KY, LA, MD, MN, PA, and, TX). On July 6, 1978, Monsanto applied to amend their EPA label by adding this use. This use was accepted April 24, 1979.

4. On August 24, 1979, Mobay Chemical Corp. submitted an application to amend their EPA label for Mesurol 75% Wettable Powder by adding uses for insect control and bird repellency on blueberries. A letter was mailed on May 20, 1980 with the conditions that appropriate method of support and certification statements, and letter of authorization from Dow be submitted before final acceptance. On July 2, 1980, Mobay applied for and obtained a section 24(c) registration for this use in Washington, followed by 9 more 24(c) registrations in 1981 (AR, CT, MD, MI, NH, NJ, OH, PA, and VT). On April 8, 1982, Mobay submitted the required offer-to-pay and

certification statements and Dow authorization (dated July 2, 1980) and EPA labeling for the use was approved on May 26, 1982.

5. Great Lakes Chemical Corporation was granted section 24(c) registrations in ten states (AR, GA, LA , MO, MS, NC, OK, SC, TN, and VA) for use of their Soilbrom-90 (A.I. - ethylene dibromide) to control nematodes in soybeans. Great Lakes applied to amend their EPA label for this use. This amendment was approved by EPA on January 11, 1983.

6. Rohm and Haas Company obtained section 24(c) registrations in ten states (CT, GA, KY, MD, MO, NC, PA, SC, TN, and VA) for use of Dithane M-45 and Dithane M-22 Special to control blue mold on field grown tobacco. Dithane M-22 Special has been EPA-registered for this use at different application rates. Dithane M-45 has not been EPA-registered for this use. Dithane Flowable with Zinc (707-170) was registered by EPA on January 5, 1983.

7. During the period 1979 through 1981, E.I. du Pont de Nemours and Company obtained section 24(c) registrations in 15 states (DE, FL, GA, LA, MD, MI, MN, MS, NC, OK, SC, TN, TX, VA and WV) allowing use of their Velpar Gridball Brush Killer (A.I.-hexazinone) in reforestation areas (aerial application). On March 25, 1981, this use was accepted on their EPA label.

The examples cited above comprise 4.5% of all active 24(c) registrations issued during the period audited. Yet almost 50% of all 24(c) registrants indicated that a section 3 registration (or EUP) had been or was being sought. These figures may indicate that section 24(c) registrations are sought in many cases when section 3 registrations are appropriate.

C. PERCENTAGE OF SECTION 24(C) REGISTRATIONS DISAPPROVED

A section 24(c) registration can be disapproved for a variety of reasons. The following situations are grounds for disapproval of a registration: probable creation of unreasonable adverse effects on man or the environment; refusal of the registering state to submit information to support the state's decision to issue a registration; failure of information submitted by the state to support a registration; issuance of a registration that may constitute an imminent hazard; or issuance of a registration that will result in a residue on food or feed exceeding a tolerance or other clearance under the Federal Food, Drug and Cosmetic Act.

A perusal of the records showed that EPA's overall disapproval rate is less than 1.0%. Records available for the Fungicide-Herbicide Branch indicate that 14 SLN registrations were disapproved out of a total of 1,777 registrations from October 1, 1979 - March 31, 1982. These figures indicate a disapproval rate of 0.8%. Two registrations were disapproved because residue chemistry data were insufficient to support the use. Seven registrations were determined to be invalid due to lack of a supporting tolerance and four declared invalid due to residue data deficiencies. One registration was withdrawn by the state following discussions with the Agency outlining residue data deficiencies.

Records available for the Insecticide-Rodenticide Branch indicate that 16 SLN registrations were found invalid out of approximately 1856 registrations due to a lack of tolerance during this same time period.

D. NUMBER OF SECTION 24(C) REGISTRATIONS FOR UNREGISTERED PRODUCTS VERSUS EPA-REGISTERED PRODUCTS

Data on hand list 1,412 section 24(c) registrations (Table 13) involving products not registered by EPA and 5,353 section

24(c) registrations involving EPA-registered products. The total number of section 24(c) registrations is 6,765 and, based on these figures, 21% of the SLN registrations were granted for the use of new products (not EPA registered) and 79% of the SLN registrations are for EPA-registered products.

Distribution of Section 24(c) Registrations by Branch

Data indicates that the overall workload for section 24(c) registrations is fairly well distributed among two branches; IRB with 57% and HFB with 43%. However, distribution of section 24(c) registrations among the various Product Manager Teams varies significantly. A closer analysis of the data reveals that the section 24(c) registrations of EPA-registered products are also fairly well distributed; IRB with 49% and HFB with 51%. However, the distribution of section 24(c) registrations for non-EPA-registered products is unevenly distributed; IRB with 84% and HFB with 16%. See Table 13.

Distribution by Chemical

Among the sampled 726 (of 1,412 unregistered products) section 24(c) registrations, 120 active ingredients are represented. Permethrin is found most often with 284 (39% of the sample) registrations. One-methylethyl 2-[[ethoxy[(1-methylethyl) amino] phosphinothioyl] oxy] benzoate (Oftanol) with 32 (4.4%) registrations is second. Sixty percent of the sampled chemicals are found to have only one or two section 24(c) registrations.

Distribution of Section 24(c) Registrations for Non-EPA Registered Products

The ten states with the highest number of SLN registrations for unregistered products nationwide are as follows:

	Number of Registrations	Percent of Registrations for All Unregistered Products
California	184	25
Florida	37	5
Kansas	23	3
Washington	23	3
Texas	22	3
Pennsylvania	20	2
Missouri	19	2
Mississippi	18	2
New Mexico	18	2
Ohio	7	2
Total	371	49

The nine states and Puerto Rico, with the highest percentage of section 24(c) registrations for unregistered products within that state (based on all section 24(c) registrations for their states) are as follows:

State	Percent of 24(c) Registration for Unregistered Products Within A State
Rhode Island	33.3
Iowa	29.7
Wyoming	26.3
(Puerto Rico)	25.0
Kansas	24.5
California	23.0
Indiana	22.5
Illinois	22.4
Missouri	19.6
Ohio	19.3

See Table 14 for the complete distribution of the 726 registrations by state.

E. STATE DETERMINATION OF SPECIAL LOCAL NEEDS

The purpose of the section 24(c) registration program is to give a state the opportunity to register, expeditiously and with less cost and administrative burden on the registrant, a pesticide needed to treat a localized pest infestation (a problem in that state but not sufficiently widespread to warrant the expense and time for EPA registration). Also noted is the fact that the 1978 amendments to FIFRA and the regulations promulgated based on the Agency's interpretation of the legislative history removed the requirement that EPA determine if a special local need exists. EPA places a heavier reliance on the states to make that determination.

If it were determined that a state were issuing SLN registrations for purposes other than meeting special local needs (i.e., allowing registrants to circumvent section 3 registration requirements), this practice would be considered to be an abuse of the section 24(c) program. The regulations governing issuance of section 24(c) registrations give the states some direction as to how to determine whether or not a special local need exists. Unfortunately, there is not, and probably cannot be, a general rule which could be applied to all situations in making this determination.

One guideline that has been incorporated into the final rules regarding special local need determination (40 CFR 162.153(b)) is that states _may_ consider "...applications for registrations to control a pest problem present on a nationwide basis, or for use of a pesticide product registered by other States on an interregional or nationwide basis" as situations not involving a special local need. The regulation further indicates that a state _may_ include, but is not limited to, the above situation in its consideration.

Further, EPA does expect the states to use their discretion to make a reasonable determination under §162.153(b), in order to prevent registrants from circumventing the requirements of section 3 of FIFRA, and that an obvious nationwide or regional pattern of state registrations should be considered by a state in determining whether a registrant is evading registration requirements under section 3. It is also important to note that EPA does not specify a number of states which can be used as a basis for drawing a line between local, regional, or national needs.

F. COMPANIES HOLDING LARGE NUMBERS OF SECTION 24(C) REGISTRATIONS FOR EPA-REGISTERED PRODUCTS

Companies holding large numbers of section 24(c) registrations were examined, focusing specifically on products for which a large number of SLN's had been issued in a large number of states. This was done to detect possible abuse of the program indicated by patterns of nationwide or regional registrations of particular products or additional uses of EPA-registered products.

It was noted that a relatively small number of registrants appears to hold a disproportionately large number of section 24(c) registrations. Table 15 lists all companies that have obtained more than 100 section 24(c) registrations for their EPA-registered products.

The 6,291* section 24(c) registrations for which an EPA company number was provided are distributed among 263 companies - giving an average of 24 SLN registrations per company. (In some cases, probably fewer than 5%, third parties act as the section 24(c) registrant.)

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*This figure includes 5,353 SLN's issued for EPA-registered products and 938 SLN's issued for non-EPA-registered products for which an EPA company number was provided.

More than 50% of these 6,291 registrations have been issued for products registered to only nine companies. A second chart (Table 16) lists the fungicide/herbicide products (registered to each of the top fourteen companies) for which 10 or more SLN registrations have been issued. Included in Table 16 are the insecticide/rodenticide products for which large numbers of SLN's have been issued.

G. NUMBER OF ACTIVE SECTION 24(C) REGISTRATIONS ISSUED PER STATE PER YEAR

Table 17 lists the number of active (not withdrawn or cancelled) section 24(c) registrations issued per state per year (calendar year) and also lists totals for each state for the period beginning January 1, 1978 and ending March 31, 1982. (During this period, 5,330 registrations were issued by 49 states. Alaska did not issue any section 24(c) registrations.) These figures reveal that California had issued 800 section 24(c) registrations during the period studied - more than twice the number issued by Washington, the state which issued the second highest total with 363 registrations issued during the same period. The disproportionately large number of California registrations is probably due to the fact that they issue state registrations to each county government rather than for use in the whole state. Oregon was a close third with a total of 315 section 24(c) registrations.

The breakdown (Table 17) by year shows a significant drop in the number of registrations issued by California during 1980 and 1981. During those two years California issued an average of 134 registrations per year, whereas the other states averaged only 27 registrations per year during the same 2-year period.

The number of registrations issued by Washington and Oregon has increased during the period 1978 through 1981. (Of the 49 states studied, 31 maintained a fairly consistent level of registrations; five showed a downward trend; and 13, including Washington and Oregon, showed an upward trend.)

Florida, Texas and Mississippi ranked 4th, 5th and 6th, respectively, in the total number of SLNs issued. The percentage of the total for each is as follows:

	Percent	Number of Registrations Issued
4. Florida	4	(204)
5. Texas	4	(194)
6. Mississippi	3	(183)
Total	11	(581)

Florida has shown a downward trend and Mississippi an upward trend, while Texas has maintained a steady level during the period studied.

Rounding out the top ten states with the most registrations issued during the period specified above are:

	Percent	Number of Registrations Issued
7. Idaho	3	(166)
8. Arkansas	3	(153)
9. Georgia	3	(139)
10. North Carolina	3	(134)
Total	12	(592)

Idaho and Arkansas show an upward trend in SLN registration while Georgia and North Carolina have maintained a consistent level of registrations throughout the period.

H. ANALYSIS OF CHEMICALS/PRODUCTS, STATES, AND COMPANIES PREVALENT AMONG SECTION 24(C) REGISTRATIONS FOR UNREGISTERED (NEW) PRODUCTS

Data derived from both computer files and manual records were reviewed to note any registration patterns for certain chemicals, products, states or companies that may be occurring in section 24(c) registrations of unregistered products. While few significant widespread use patterns were observed, review of data for section 24(c) registrations of unregistered products sorted by chemical revealed that one chemical, permethrin (Table 18) was the active ingredient in 39% of the cases (284 of the 726 sample registrations for unregistered products). No other chemical held such a high number of section 24(c) registrations for unregistered products. The chemical with the second highest number of section 24(c) registrations among unregistered products was 1-methylethyl 2-((ethoxy ((1- methylethyl)amino)phosphino-thioyl)oxy)benzoate (Oftanol) (4% or 32/726). Together, these two chemicals comprise 44% (316 of 726) of the section 24(c) registration sample surveyed for unregistered products.

A further analysis of the sample for these two leading chemicals (permethrin and 1-methylethyl 2-((ethoxy ((1-methylethyl) amino)phosphino-thioyl)oxy)benzoate (Oftanol) revealed that most of the section 24(c) registrations were widely dispersed among the various states. Manual records (State Log Book by Year) revealed that a pattern of identical registrations (identical registrant/product/site/pest) existed in a large number of states for these chemicals. Following is an abbreviated table listing registrants having the largest number of identical section 24(c) registrations for permethrin and 1-methylethyl 2-((ethoxy ((1-methylethyl)amino)phosphino-thioyl)oxy)benzoate (Oftanol).

Company	Product	No. of States With Identical Registrations	Nationwide Percentage (50 States & Two Territories
Permethrin			
Philips Roxanne	Permectrin 10% E.C.	33	63
	Overtime Long Acting Livestock & Premise Insecticide	28	53
Y-Tex Corp.	Gardstar Ear Tag	21	40
Burroughs Wellcome Co.	Atroban Ear Tag	21	40
	Atroban Wettable Powder	10	19
Ralston Purina Co.	Purina Hard Hitter WP	16	31
	Purina Hard Hitter EC	15	29
Hess & Clark, Inc.	Insectrin WP	14	27
	Insectrin EC	11	21
1-methylethyl 2-((ethoxy ((1-methylethyl)amino)phosphino-thioyl)oxy)benzoate (Oftanol)			
Mobay	Oftanol 5% G Insecticide	22	42
O.M. Scott & Sons Co.	Proturf Insecticide 4	8	15

Mobay Chemical Corp. and O. M. Scott & Sons Co. have a considerable number of identical registrations not included in the above table because the registration issue date is after the cutoff date (March 1982) for this audit review.

An expanded table (Table 18) lists the site/pest and SLN numbers for the above permethrin and Oftanol section 24(c) registrations. This table shows the distribution of 60% of the 284 section 24(c) registrations for the unregistered permethrin products, and 94% of the registrations for 1-methylethyl 2-((ethoxy ((1-methylethyl)amino)phosphino-thioyl)oxy)benzoate (Oftanol).

Part 3 - CONCLUSIONS - SECTION 24(C) PROGRAM

Based on all the information evaluated during this audit, the section 24(c) program can and does work effectively, in many cases, with the states playing an effective role.

The efficiency with which the Agency processes section 24(c) registrations has improved and reviews are generally completed within the required time periods.

Some states and registrants utilize the program to a much greater extent than others; however, the low disapproval rate indicates that both states and registrants generally comply with the statute and regulations.

Some nationwide or interregional patterns of SLN registrations were found among both EPA-registered and unregistered products. In some cases a section 3 registration was eventually obtained for the additional uses of the EPA-registered products. However, the circumstances surrounding the 24(c) application or the timing of the section 3 application suggests circumvention of section 3 regulations in some instances.

Part 4 -RECOMMENDATIONS

- Update and modify computer tracking program - As the total volume of section 24(c) registrations increases yearly, reviews or audits performed using manual records become less and less feasible. For this reason, it is important that the IBM computer system which maintains the file on section 24(c) registrations be updated and modified to perform a larger variety of data searches without extensive last minute programming to meet review needs. Since some identical registration patterns have begun to appear on a regional or nationwide basis, a programming modification for the IBM computer system should be made to enable the Agency to monitor and flag identical regional or nationwide registration patterns as they occur instead of relying on manual searches which involve an extensive number of person-hours.

- Develop coding verification program - Because OPP will rely more and more on the section 24(c) data base as a reference, it is imperative that this data base be accurate and complete. A program needs to be developed and instituted that will provide a means for checking the contractor's coding of information that makes up this data base. Such a program would allow for verification, and correction of any coding problems or errors. Under the current procedures, the only coding problems that come to the Registration Division's attention are those pointed out by the contractor. If the contractor codes information incorrectly or if the information is input in the system incorrectly, errors are not noticed until they appear and are so noted on the various printouts of section 24(c) registrations.

- Initiate the policy for responding to widespread patterns of use - OPP should initiate its policy that envisions the transition from "special local need" registrations (Section 24(c)) to full section 3 registrations. Where limited use exists, section 24(c) registrations will be reviewed and a regulatory position taken during reregistration. Where there is substantial use of a pesticide, the data required for a section 3 registration under section 3(c)(2)(B) of the FIFRA will be requested. If the registrants do not respond, OPP will take appropriate action.

- Maintain file integrity - Since section 24(c) registration jackets are no longer microfilmed to provide a backup copy of the registration jacket contents, maintenance of file integrity is extremely important. It is necessary to refer to the section 24(c) registration jackets on many occasions. More and more frequently, jackets cannot be found when needed because of almost unlimited access by authorized personnel to the files. Consideration should be given to limiting file access and assigning sufficient personnel with the specific task of pulling jackets and inserting sign-out cards in the file when EPA personnel or the contractor need a section 24(c) registration jacket.

- Transfer front-end processing to the Registration Support Team - The front-end processing of new section 24(c) registrations and the processing of amendments and general correspondence affecting section 24(c) registrations involve a great deal of clerical work which does not merit the use of professional personnel. It is recommended that the section 24(c) registration program be removed from the Process Coordination Branch's Liaison Team and reassigned to the Registration Support Team of the same branch where clerical personnel are already performing administrative front-end processing on other registration activities. Also, PCB should resume the responsibility of creating the section 24(c) files on the OLTS when the responsibility shifts to the Registration Support Team.

- Eliminate routine acknowledgement letters to states - Currently, Insecticide/Rodenticide Branch is acknowledging in writing the receipt of each section 24(c) notification form. Fungicide/ Herbicide Branch has not been sending acknowledgement letters except in situations where label modifications or other information is requested from the state. Only a few instances have been noted in which a state has issued a section 24(c) registration, forwarded the notification form and--not having received an acknowledgement letter--contacted the Agency to determine whether or not the notification was received. It is recommended that acknowledgement letters not be mailed to the states routinely. The savings, in terms of pages of contract typing, should outweigh the benefits received by sending the acknowledgement letters. However, if the states wanted to know if OPP has received an application, a postcard could be pre-addressed and mailed with the application. All OPP would do is simply record the date of receipt and mail it back to the States.

- Modify question 10 on the revised application form - The "Application for/Notification of State Registration" form has recently been revised and approved by OMB. It is recommended that question number ten be further modified to include the phrase "...or additional use..." following "Has an EPA registration of, or experimental use permit for the product...." Since almost 80% of the SLN's are issued for additional uses of EPA-registered products, it is important that these types of products not be excluded from this question. The answer to this question will then indicate the section 3 (or section 5) registration status of additional uses. This further revision may require additional OMB review. The revised form should be put into use as soon as PSD revises their IBM computer program to accommodate the new form. It will provide the states with more information on which to base their special local need determinations by specifically listing those states which have already approved like registrations under section 24(c).

- Purge files of section 24(c) registrations that have expired, been cancelled or withdrawn - As a result of the audit, it was noted that many section 24(c) registrations were issued for less than a five-year period and some may have expired with the state. In addition many section 24(c) registrations issued in '75, '76, '77, and '78 have expired with the state. There are also some registrations that have been cancelled or withdrawn by the state. OPP should plan to contact the states and verify the lack of need for these registrations. Cancellation proceedings as outlined in section 6(a) of the FIFRA can then be started so the Agency can dispose of these registrations.

FIGURE A: SECTION 18 EXEMPTIONS

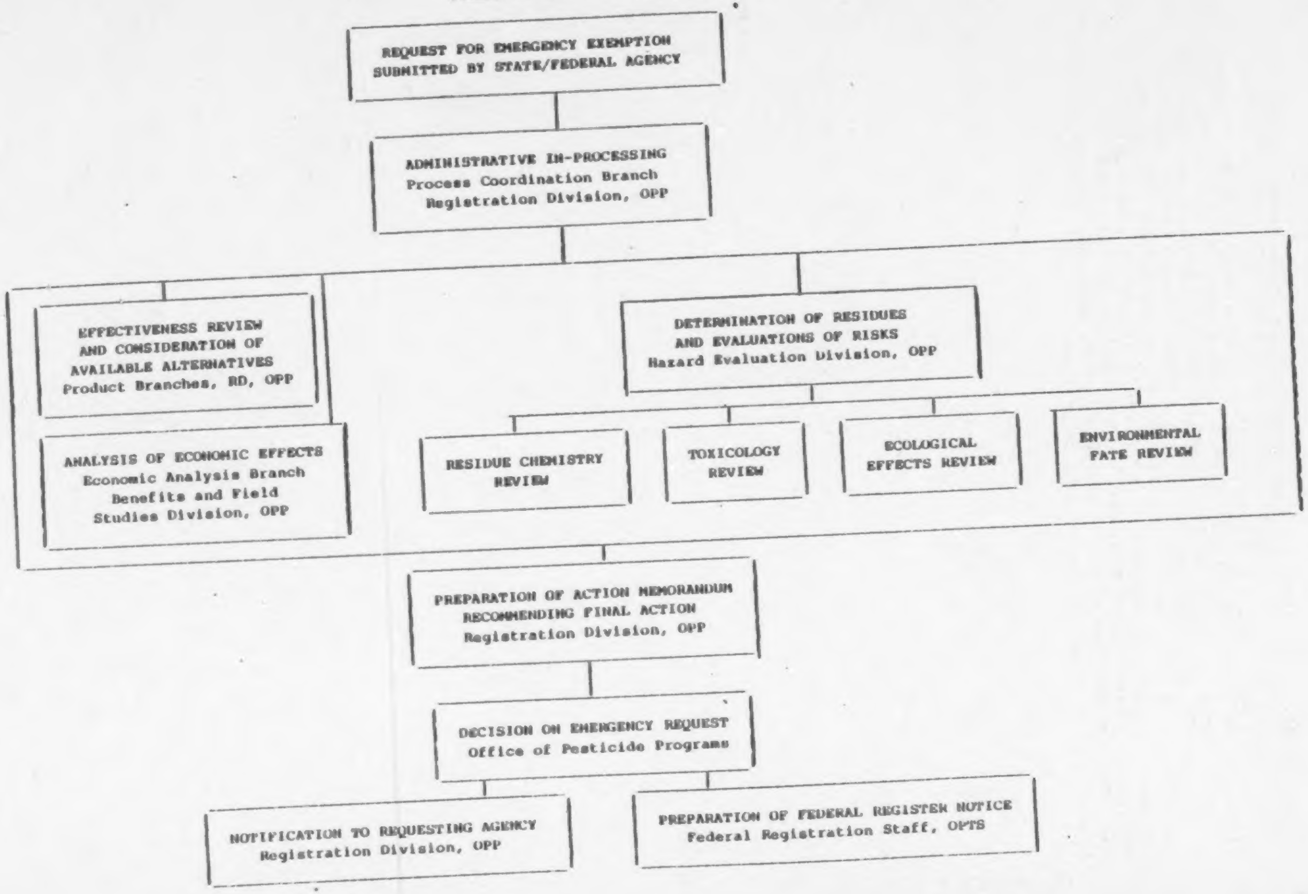
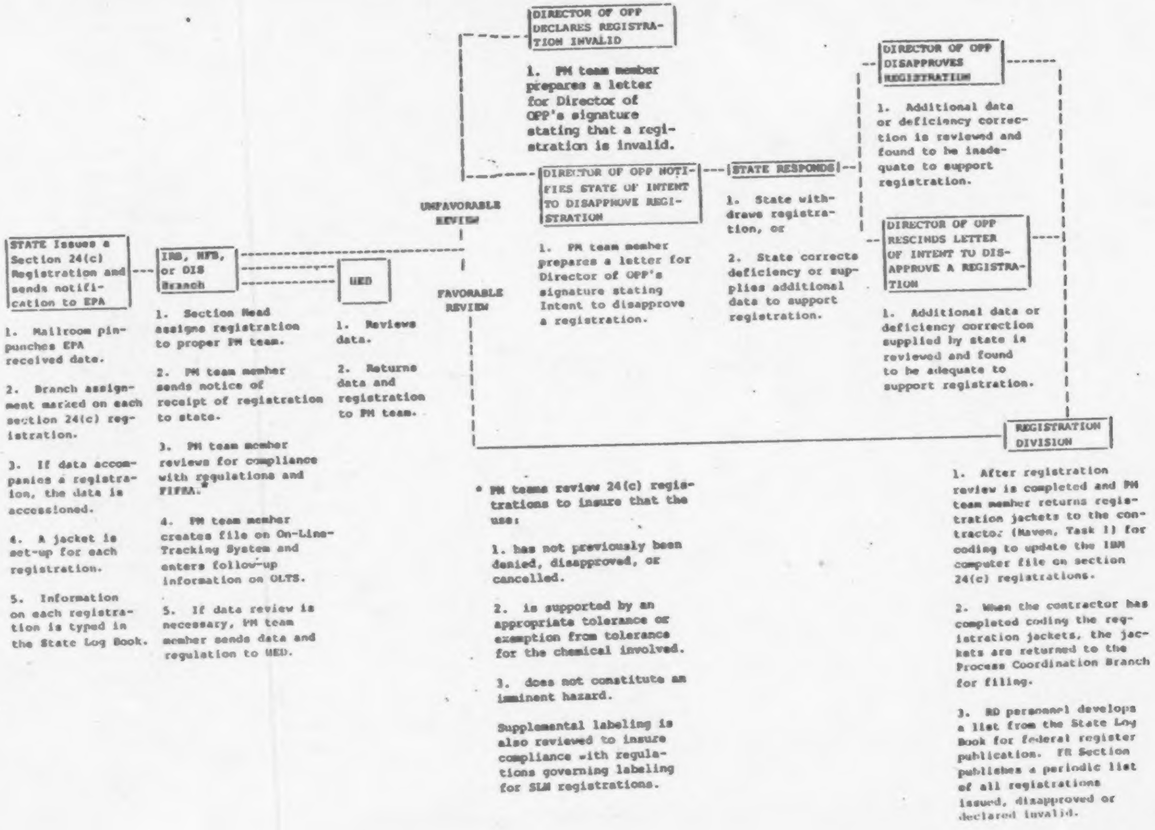

REQUEST FOR EMERGENCY EXEMPTION
SUBMITTED BY STATE/FEDERAL AGENCY
ADMINISTRATIVE IN-PROCESSING
Process Coordination Branch
Registration Division, OPP
EFFECTIVENESS REVIEW
AND CONSIDERATION OF
AVAILABLE ALTERNATIVES
Product Branches, RD, OPP
ANALYSIS OF ECONOMIC EFFECTS
Economic Analysis Branch
Benefits and Field
Studies Division, OPP
DETERMINATION OF RESIDUES
AND EVALUATIONS OF RISKS
Hazard Evaluation Division, OPP
RESIDUE CHEMISTRY
REVIEW
TOXICOLOGY
REVIEW
ECOLOGICAL
EFFECTS REVIEW
ENVIRONMENTAL
FATE REVIEW
PREPARATION OF ACTION MEMORANDUM
RECOMMENDING FINAL ACTION
Registration Division, OPP
DECISION ON EMERGENCY REQUEST
Office of Pesticide Programs
NOTIFICATION TO REQUESTING AGENCY
Registration Division, OPP
PREPARATION OF FEDERAL REGISTER NOTICE
Federal Registration Staff, OPTS

FIGURE B: SECTION 24 (c) REGISTRATION PROCESS FLOWCHART


STATE Issues a Section 24(c) Registration and sends notification to EPA
IRB, HFB, or DIS Branch
HED
UNFAVORABLE REVIEW
FAVORABLE REVIEW
DIRECTOR OF OPP DECLARES REGISTRATION INVALID
DIRECTOR OF OPP NOTIFIES STATE OF INTENT TO DISAPPROVE REGISTRATION
STATE RESPONDS
DIRECTOR OF OPP DISAPPROVES REGISTRATION
DIRECTOR OF OPP RESCINDS LETTER OF INTENT TO DISAPPROVE A REGISTRATION
REGISTRATION DIVISION

STATE Issues a Section 24(c) Registration and sends notification to EPA

1. Mailroom pin-punches EPA received date.
2. Branch assignment marked on each section 24(c) registration.
3. If data accompanies a registration, the data is accessioned.
4. A jacket is set-up for each registration.
5. Information on each registration is typed in the State Log Book.

IRB, HFB, or DIS Branch

1. Section Head assigns registration to proper PM team.
2. PM team member sends notice of receipt of registration to state.
3. PM team member reviews for compliance with regulations and FIFRA.*
4. PM team member creates file on On-Line-Tracking System and enters follow-up information on OLTS.
5. If data review is necessary, PM team member sends data and regulation to HED.

HED

1. Reviews data.
2. Returns data and registration to PM team.

DIRECTOR OF OPP DECLARES REGISTRATION INVALID

1. PM team member prepares a letter for Director of OPP's signature stating that a registration is invalid.

DIRECTOR OF OPP NOTIFIES STATE OF INTENT TO DISAPPROVE REGISTRATION

1. PM team member prepares a letter for Director of OPP's signature stating Intent to disapprove a registration.

STATE RESPONDS

1. State withdraws registration, or
2. State corrects deficiency or supplies additional data to support registration.

DIRECTOR OF OPP DISAPPROVES REGISTRATION

1. Additional data or deficiency correction is reviewed and found to be inadequate to support registration.

DIRECTOR OF OPP RESCINDS LETTER OF INTENT TO DISAPPROVE A REGISTRATION

1. Additional data or deficiency correction supplied by state is reviewed and found to be adequate to support registration.

REGISTRATION DIVISION

1. After registration review is completed and PM team member returns registration jackets to the contractor (Haven, Task 1) for coding to update the IBM computer file on section 24(c) registrations.
2. When the contractor has completed coding the registration jackets, the jackets are returned to the Process Coordination Branch for filing.
3. RD personnel develops a list from the State Log Book for federal register publication. FR Section publishes a periodic list of all registrations issued, disapproved or declared invalid.

* PM teams review 24(c) registrations to insure that the use:

1. has not previously been denied, disapproved, or cancelled.
2. is supported by an appropriate tolerance or exemption from tolerance for the chemical involved.
3. does not constitute an imminent hazard.

Supplemental labeling is also reviewed to insure compliance with regulations governing labeling for SLN registrations.

TABLE 1

TOTAL ACTIONS (ALL STATE/FEDERAL AGENCIES)

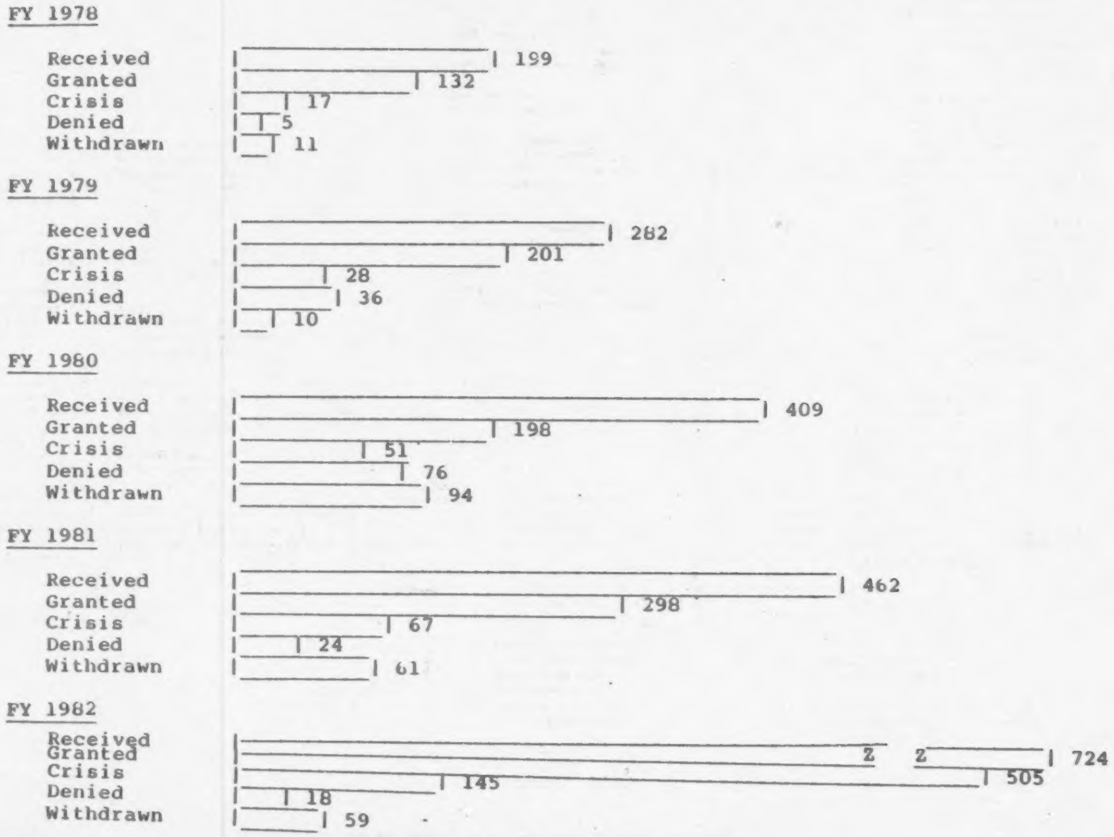
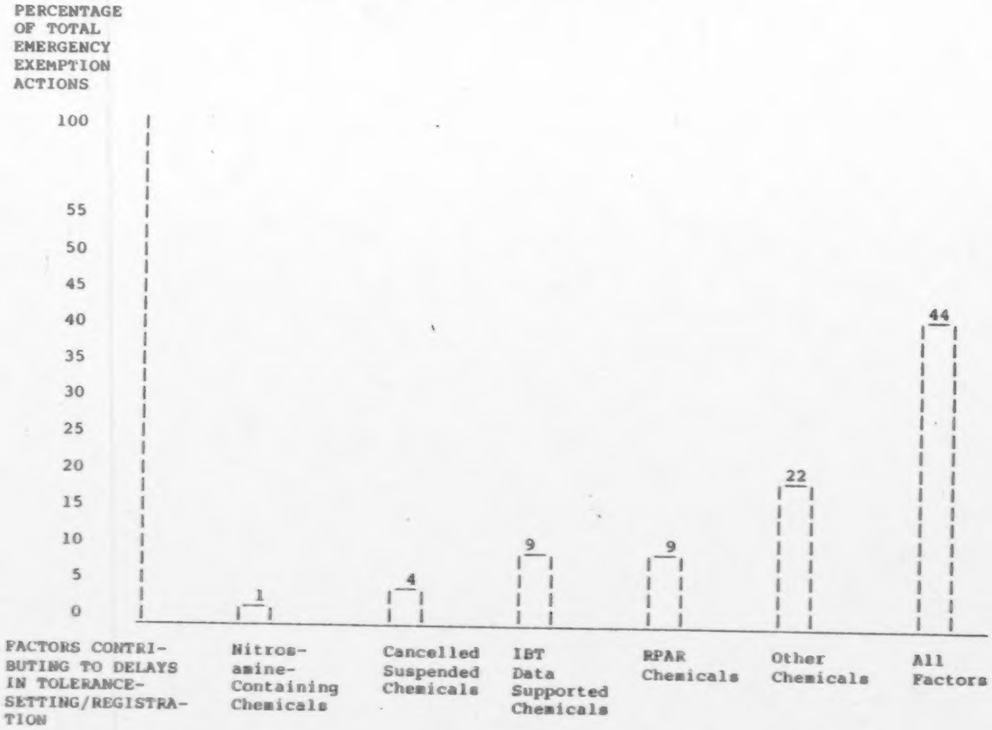


TABLE 2

PERCENTAGES OF CHEMICALS INVOLVED IN EMERGENCY EXEMPTION ACTIONS FOR WHICH TOLERANCE-SETTING/REGISTRATION ACTIONS HAVE BEEN DELAYED



* Percentages given are approximate but conservative and should be considered as the minimum percentage attributable to the named factor.

TABLE 3

NUMBER OF DENIALS OF EMERGENCY EXEMPTIONS - BY REASON

REASON FOR DENIAL	FY 1978	FY 1979	FY 1980	FY 1981	FY 1982	TOTAL DENIALS
No Emergency	3	18	51	19	6	97
Scientific Basis	1	17	25	5	11	59
Cancelled Use	1	1	-	-	1	3
TOTAL DENIALS	5	36	76	24	18	159

TABLE 4

FIFTEEN MOST ACTIVE CHEMICALS INVOLVED IN EMERGENCY EXEMPTION ACTIONS* FROM FY 1978 TO FY 1982

	Chemical	NUMBER OF ACTIONS	PERCENT OF TOTAL ACTIONS*
1.	Permethrin	259	13.2
2.	Fenvalerate	130	6.6
3.	Methiocarb	91	4.6
4.	Triadimefon	67	3.4
5.	Paraquat	66	3.4
6.	Acephate	64	3.3
7.	Benomyl	56	2.9
8.	Methyl Bromide	40	2.0
9.	Sodium Chlorate	33	1.7
10.	Methamidophos	29	1.5
11.	Azinphosmethyl	29	1.5
12.	Chlorpyrifos	26	1.3
13.	Oxamyl	25	1.3
14.	Malathion	24	1.2
15.	Methomyl	23	1.2
TOTAL		962	49.1

*Excludes Amendments

TABLE 5

TEN MOST ACTIVE STATE/FEDERAL AGENCIES UTILIZING THE CRISIS PROVISIONS OF SECTION 18 FROM FY 1978 to FY 1982

	FY 1978	FY 1979	FY 1980	1981	FY 1982	TOTAL
1. California	4	8	8	18	43	81
2. Texas	-	4	4	4	13	25
3. USDA	4	3	8	5	2	22
4. Oklahoma	-	1	3	5	6	15
5. Hawaii	-	2	2	2	5	11
6. Arizona	-	-	1	3	5	9
7. Massachusetts	2	5	-	-	2	9
8. New Jersey		1	4	1	2	8
9. Florida	1	-	-	1	6	7
10. North Carolina	-	1	-	1	5	7
TOTAL	11	25	30	40	89	185
NATIONAL TOTAL	17	28	51	67	145	308
PERCENT OF TOP TEN COMPARTED TO NATIONAL TOTAL	64.7	89.3	58.8	59.7	61.4	60.1

TABLE 6

TEN MOST ACTIVE STATE/FEDERAL AGENCIES IN THE EMERGENCY EXEMPTION PROGRAM FROM FY 1978 to FY 1982

	FY 1978	FY 1979	FY 1980	FY 1981	FY 1982	TOTAL
1. California	18	32	44	66	119	279
2. USDA	9	12	21	82	51	175
3. Florida	12	16	25	35	45	133
4. Oregon	16	18	29	14	34	111
5. Washington	20	16	17	14	36	103
6. Texas	3	7	13	21	38	82
7. New Jersey	11	10	17	16	28	82
8. New York	8	13	17	10	16	64
9. Idaho	7	13	14	10	19	63
10. Michigan	6	6	9	5	16	42
TOTAL	110	143	206	273	402	1,134
NATIONAL TOTAL	17	28	51	67	145	308
PERCENT OF TOP TEN COMPARTED TO NATIONAL TOTAL	55.5	50.7	50.4	59.1	55.5	54.6

Table 7

SECTION 18 ACTIONS* BY CHEMICAL

	Fiscal Years					
	1978	1979	1980	1981	1982	Total
Acephate	7	13	9	13	22	64
Acifluorfen	-	9	3	4	3	19
Alachlor	-	-	2	-	-	2
Aldicarb	-	1	2	3	-	6
Aldrin	-	1	1	-	1	3
Allethrin	-	1	-	-	-	1
Aluminum phosphide	-	-	-	1	4	5
4-Aminopyridine	3	3	-	-	-	6
Amitraz	8	7	1	-	-	16
Atrazine	1	1	-	-	-	2
Azinphosmethyl	7	6	8	4	4	29
Azulam	2	1	2	2	1	9
Bacillus thuringiensis	1	-	-	-	3	4
Baycor	-	-	-	1	-	1
Benomyl	10	12	9	11	14	56
Bentazon	3	2	3	-	-	8
Bolstar	16	1	-	-	-	17
Bromoxynil	-	-	2	2	-	4
Butachlor	-	-	2	4	4	10
Captafol	-	3	3	4	5	15
Captan	-	-	-	1	1	2
Carbaryl	2	1	2	2	4	11
Carbofuran	2	2	5	4	5	18
Carbon disulfide	-	-	-	1	1	2
Carbosulfan	-	-	-	2	2	4
Chlordane	-	-	3	1	-	4
Chlorothalonil	-	-	-	2	4	6
Chlorpropham	-	-	1	-	-	1
Chlorpyrifos	3	3	6	6	8	26

	Fiscal Years					
	1978	1979	1980	1981	1982	Total
Compound 1080	1	1	5	2	2	11
Copper carbonate	-	-	-	1	1	2
Copper chelate	-	-	-	-	1	1
Copper sulfate	-	-	-	1	1	2
Curacron	16	1	-	-	-	17
Cyhexatin	1	1	3	4	4	13
Cyromazine	-	-	-	-	22	22
2,4-D	3	2	3	5	2	15
DBCP	-	-	-	1	1	2
DDT	4	2	2	-	-	8
DDVP	-	-	-	3	3	6
Diazinon	-	3	5	4	7	19
Dicamba	-	-	-	-	8	8
Diclofop-methyl	1	5	2	-	1	9
Diethatyl-ethyl	-	-	-	-	6	6
Difenzoquat	-	1	-	-	-	1
Diflubenzuron	-	-	3	2	-	5
Dimethoate	-	-	-	-	4	4
Dinoseb	4	2	4	2	2	14
Diquat	1	1	1	-	-	3
Disulfoton	-	-	4	4	4	12
Diuron	-	1	-	-	-	1
Dyrene	-	-	-	1	5	6
Endosulfan	-	-	-	1	-	1
Endothall	1	-	1	-	1	3
Endrin	1	-	-	2	-	3
Ethalfluralin	-	-	-	2	-	2
Ethephon	1	2	1	1	-	5
Ethofumesate	2	-	-	-	-	2
Ethoprop	-	1	-	-	-	1
Ethyl acetate	-	-	-	1	1	2

	Fiscal Years					
	1978	1979	1980	1981	1982	Total
Ethyl parathion	2	2	2	2	-	8
Ethylene dibromide	-	-	6	-	-	6
Ethylene oxide	-	-	-	1	1	2
Fenamiphos	1	-	5	6	7	19
Fenthion	-	-	4	-	-	4
Fenvalerate	14	21	40	22	33	130
Ferriamicide	6	-	-	-	3	9
Fluazifop-butyl	-	-	-	-	19	19
Formaldehyde	-	-	-	3	3	6
Formetanate HCl.	1	2	3	-	3	8
Fosamine-ammonium	1	-	-	-	-	1
Glyphosate	-	-	-	-	6	6
Heptachlor	4	1	2	1	1	9
Hexakis	-	-	-	2	2	4
Hexazinone	-	3	-	-	-	3
Hydrogen cyanide	-	-	-	1	1	2
Imazalil	-	1	1	2	6	10
Iodine	-	1	-	-	-	1
Iprodione	-	-	3	1	4	8
Komeen	-	2	-	1	-	3
Lime sulfur	-	-	-	1	1	2
Lindane	2	-	1	1	-	4
Linuron	-	-	-	-	3	3
Malathion	5	2	1	9	7	24
Mancozeb	-	-	-	2	1	3
Maneb	-	-	2	-	-	2
Mefluidide	-	-	10	-	-	10
Metalaxyl	-	-	7	12	49	68
Methamidophos	3	2	1	13	10	29
Methidathion	1	-	-	-	-	1
Methiocarb	6	14	23	17	31	91

	Fiscal Years					
	1978	1979	1980	1981	1982	Total
Methomyl	3	1	3	2	14	23
Methoprene	-	-	1	2	-	3
Methyl bromide	-	-	1	22	17	40
Metolachlor	-	-	-	3	11	14
Metribuzin	5	2	-	-	2	9
Mevinphos	-	-	-	-	5	5
Mirex	1	3	-	-	-	4
Monocrotophos	-	-	6	6	5	17
NAA	-	-	2	1	1	4
Naled	1	-	4	1	2	8
Napropamide	-	2	3	1	2	8
Nosema locustae	-	1	1	-	-	2
Oryzalin	1	1	1	2	-	5
Oxamyl	6	2	7	2	8	25
Oxyfluorfen	1	1	1	2	5	10
Oxytetracycline	11	1	1	3	3	19
Paranitrophenol	2	1	1	-	-	4
Paraquat	5	5	11	19	26	66
PCNB	-	-	-	2	1	3
Pendimethalin	-	-	-	1	-	1
Permethrin	12	59	68	40	80	259
Phenmedipham	-	1	-	1	1	3
d-Phenothrin	-	-	-	1	1	2
Picloram	1	-	2	-	1	4
Pirimicarb	-	3	9	-	-	12
Pirimiphos-methyl	-	4	1	-	-	5
Poast	-	-	-	-	17	17
Pronamide	-	-	-	1	2	3
Propargite	-	2	1	3	5	11
Pyrethrum	-	-	-	1	1	2
Propachlor	-	1	1	-	7	9

	Fiscal Years					
	1978	1979	1980	1981	1982	Total
Propanil	2	5	4	-	-	11
Propham	-	4	5	-	-	9
Propoxur	-	-	-	1	1	2
Pyroxyfur	-	-	-	1	-	1
Quinoline sulfate	-	-	-	1	-	1
Resmethrin	-	4	2	1	-	7
Sodium carbonate	-	-	-	2	2	4
Sodium chlorate	1	3	-	10	19	33
Sodium cyanide	2	2	3	2	2	11
Sodium hydroxide	-	-	-	1	1	2
Sodium hypochlorite	-	-	-	2	2	4
Sodium o-phenylphenate	-	-	-	1	1	2
Strychnine	2	2	5	3	2	14
Sulfuric acid	-	-	-	1	-	1
Sulfuryl fluoride	-	-	1	1	1	3
Telone	-	-	-	1	-	1
Temephos	-	-	2	-	-	2
TEPP	2	3	1	3	1	10
Thiabendazole	4	1	3	2	-	10
Thiadiazuron	-	-	-	-	1	1
Thiobencarb	-	-	2	5	2	9
Thiophanate-methyl	-	-	1	-	-	1
Toxaphene	1	4	1	2	1	9
TPTH	-	1	1	3	7	12
Triadimefon	-	2	1	11	53	67
Triallate	-	1	-	1	2	4
Trichlorfon	-	-	-	-	2	2
Trifluralin	2	4	2	2	1	11
Triforine	7	7	7	-	-	21

	Fiscal Years					
	1978	1979	1980	1981	1982	Total
Vinclozolin	-	-	-	2	11	13
Zinc phosphide	-	-	-	2	-	2
Zineb	-	-	-	1	1	2
Zinophos	-	-	-	1	-	1
TOTAL - Actions per Year	221	277	381	395	686	1960
TOTAL - Chemical per Year	59	72	84	102	100	157

*Excludes amendments

TABLE 8

NUMBER OF EXEMPTION ACTIONS PER PESTICIDE/SITE
DURING AUDIT PERIOD

YEARS USE PATTERN REPEATED	3	4	5	over
PESTICIDE/SITE				
Acephate/non-bell peppers		18		
Acephate/cranberries		4		
*Acifluorfen/rice	6			
*Amitraz/pears	15			
*Asulam/flax			8	
Avitrol/rice	3			
*Azinphosmethyl/carrots				16
*Benomyl/crucifer seeds		11		
*Benomyl/potatoes		3		
*Benomyl/wheat				20
*Butachlor/rice	8			
Captafol/eggplant	3			
*Captafol/peppers		5		
*Captafol/strawberries		4		
Captafol/summer squash	3			
Carbaryl/pomegranates		4		
Carbaryl/sugar maples	1			
*Carbofuran/cranberries				5
Carbofuran/globe artichokes	3			
Carbofuran/hops	3			
Carbofuran/peppermint	3			
*Chlorpyrifos/onions	5			
Chlorpyrifos/peanuts	2			
*Compound 1080/improved pasture	3			
*Cyhexatin/eggplant	3			
Cyhexatin/cherries	3			
*2,4-D/millet			8	
2,4-D/soybeans			3	
*2,4-D + Dicamba/sugarcane	3			
Subtotal (number of use patterns)	16	7	3	3
*DCNA/peanuts				15
*Diazinon/wheat	3			
*Dinoseb/lentils				13
Diquat dibromide/potatoes	3			
Disulfoton/asparagus	7			
*Fenamiphos/peaches	6			
*Fenvalerate/cabbage		10		
*Fenvalerate/pears	18			
*Fenvalerate/eggplant	4			
Heptachlor/ornamentals				4
*Imazalil/citrus		7		
*Metalaxyl/potatoes	17			
*Methamidophos/celery			5	
*Methiocarb/artichokes		5		
*Methiocarb/blueberries	18			
*Methiocarb/grapes		34		
Methomyl/forage grasses		2		
*Methomyl/pears	3			
*Methyl bromide/kiwi fruit	3			
*Methyl parathion/lentils				7
*Monocrotophos/corn	11			
*NAA/sweet cherries	3			
Napropamide/mint	6			
*Oxyfluorfen/corn		4		
*Oxytetracycline/cherries				9
PNP/leather		3		
*Paraquat/dry beans	27			
*Paraquat/onions		7		
*Paraquat/peppermint		4		
Permethrin/almonds	3			
*Permethrin/cabbage			16	
*Permetrin/corn		22		
Permethrin/grapes		4		
Subtotal (number of use patterns)	15	11	2	5

YEARS USE PATTERN REPEATED	3	4	5	over 5
PESTICIDE/SITE				
*Permethrin/lettuce			19	
*Permethrin/mushrooms	9			
*Permethrin/potatoes	18			
*Permethrin/pumpkins		4		
*Permethrin/soybeans		21		
*Permethrin/tomatoes			16	
Propanil/wheat		13		
Propargite/sobeans	3			
*Propargite/sweet corn	3			
Sodium cyanide/Artic fox				5
Sodium cyanide/coyotes & foxes				6
*Strychnine/rabid skunks				12
*TEPP/hops				8
*Thiabendazole/papayas	3			
Thiabendazole/sugarbeets	3			
*Thiobencarb/rice	7			
*Toxaphene/cattle		4		
TPTH/rice		9		
*Triadimefon/grapes	13			
*Trifluralin/rape		7		
*Triforine/blueberries		12		
Subtotal (number of use patterns)	8	7	2	4
TOTAL (number of use patterns)	39	25	7	12

*Currently or previously covered by a petition for tolerance or, in the case of a non-food use, a pending registration.

NOTE: The figures in the chart above indicate the total number of actions for the particular pesticide/site use pattern during the audit period. The number of years the use pattern was repeated does not indicate that each of the actions was repeated for that number of years. Therefore, figures in the chart are not to be multiplied by the number of years shown.

TABLE 9

STATES ISSUING MORE THAN 10% OF THEIR SLN REGISTRATIONS FOR PERIODS OF LESS THAN FIVE YEARS

	Percent of 24(c) Registrations Issued for Periods Less Than Five Years
Delaware	82
Indiana	21
Iowa	51
Kansas	14
Kentucky	12
Massachusetts	94
Minnesota	25
Mississippi	100
Missouri	99
Nebraska	12
Nevada	13
New Hampshire	100
New Mexico	95
New York	100
Oklahoma	43
Pennsylvania	16
Rhode Island	56
South Carolina	98

TABLE 10

NEW HAMPSHIRE REGISTRATIONS FOR 1978 THROUGH 1ST QUARTER OF 1982

SLN NUMBER	CHEMICAL (EPA REG. NUMBER)		SITE	ISSUE DATE	EXPIRATION DATE
NH-780001	Ethylene Oxide	(10330-6)	Fumigate Bee Equipment	01/10/78	12/31/78
NH-780002	Diazinon	(100-461)	Balsam Fir (Aphid & Midge Control)	05/02/78	12/31/78
NH-780003	Methomyl	(352-370)	Forest (Spruce Budworm Control)	05/17/78	12/31/78
NH-790001	Carbaryl	(1016-70)	Sugar Maple (Leaf Cutter)	06/15/79	12/31/79
NH-790002	Carbaryl	(1016-43)	Sugar Maple (Leaf Cutter)	06/15/79	12/31/79
NH-790003	Carbaryl	(1016-68)	Sugar Maple (Leaf Cutter)	06/15/79	12/31/79
NH-790004	"Rozol"	(New)	Orchard Mice Control	06/22/79	12/31/79
NH-790006	Zinc Phosphide	(279-2120)	Mouse Bait	10/19/79	12/31/79
NH-790007	Zinc Phosphide	(279-1502)	Mouse Bait	10/19/79	12/31/79
NH-800001	Glyphosate	(524-308)	Forage Grass/Alfalfa (Weeds)	04/22/80	12/31/80
NH-800002	Aldicarb	(264-322)	Nursery Plants (Insects)	07/18/80	12/31/80
NH-810001	"Furadan"	(279-2876)	Alfalfa (Nematodes)	05/01/81	12/31/81
NH-810002	"Furadan"	(279-2712)	Alfalfa (Nematodes)	05/01/81	12/31/81
NH-810003	"Mesurol"	(3125-288)	Blueberries (Bird Repellent)	06/12/81	12/31/81
NH-810004	Paraquat	(239-2186)	Alfalfa (Weed Control)	08/11/81	12/31/81
NH-820001	Dichlone	(2393-344)	Apples (Scab)	02/24/82	12/31/82
NH-820002	"Oftanol"	(New)	Turf Grass	03/30/82	12/31/82
NEW YORK REGISTRATIONS FOR 1978 THROUGH 1ST QUARTER OF 1982 (PRODUCT ASSIGNED TO PM 23)					
NY-780026	Dinoseb	(464-98)	Potato (Vine Killer)	09/07/78	12/31/78
NY-790016	Simazine	(100-435)	Conifers (Nursery Seedbeds)	12/10/79	12/31/79
NY-790017	Simazine	(100-437)	Conifers (Nursery Seedbeds)	12/10/79	12/31/79
NY-800002	Trifluralin	(1471-35)	Irish Potatoes	03/07/80	12/31/80
NY-810014	Trifluralin	(1471-35)	Snap Beans (Tank Mix)	07/13/81	12/31/81

TABLE 11

MISSISSIPPI MSMA/DSMA SLN REGISTRATIONS (1980 AND 1981)

SLN NUMBER	CHEMICAL (EPA REG. NUMBER)	SITE	ISSUE DATE	EXPIRATION DATE
MS-800023	MSMA (8867-20)	Cotton	06/05/80	12/31/80
MS-800024	MSMA (6308-29-8867)	Cotton	06/05/80	12/31/80
MS-800025	MSMA (25030-4-8648)	Cotton	06/06/80	12/31/80
MS-800030	MSMA (1339-198)	Cotton	06/06/80	12/31/80
MS-800031	MSMA (1339-199)	Cotton	06/06/80	12/31/80
MS-800032	MSMA (1063-95)	Cotton	06/12/80	12/31/80
MS-800036	MSMA (9663-27)	Cotton	06/17/80	12/31/80
MS-800037	MSMA (9663-6)	Cotton	06/17/80	12/31/80
MS-800033	MSMA (2853-38)	Cotton	06/17/80	12/31/80
MS-800034	MSMA (2853-30)	Cotton	06/17/80	12/31/80
MS-810001	MSMA (25030-10-42761)	Cotton	01/29/81	12/31/81
MS-810020	MSMA (7401-198)	Cotton	03/23/81	12/31/81
MS-810023	MSMA (7401-240)	Cotton	03/23/81	12/31/81
MS-810024	MSMA (7401-246)	Cotton	03/23/81	12/31/81
MS-800022	DSMA (8867-34)	Cotton	06/05/80	12/31/80
MS-800026	DSMA (25030-11-8648)	Cotton	06/06/80	12/31/80
MS-800029	DSMA (677-289-1339)	Cotton	06/06/80	12/31/80
MS-800038	DSMA (9663-7)	Cotton	06/17/80	12/31/80
MS-800035	DSMA (2853-47)	Cotton	06/17/80	12/31/80
MS-800041	DSMA (5905-231)	Cotton	06/23/80	12/31/80
MS-810021	DSMA (7401-130)	Cotton	03/23/81	12/31/81
MS-810022	DSMA (7401-130-10159)	Cotton	03/23/81	12/31/81
MS-810037	DSMA (1063-123)	Cotton	05/01/81	12/31/81
MS-810042	DSMA (New)	Cotton	06/04/81	12/31/81

TABLE 12

SECTION 24(C) REGISTRANTS RESPONSE TO QUESTION #10 ON THE SLN APPLICATION/NOTIFICATION FORM

PM #	EPA-Registered Products (Added Use Requested) Answer to Question # 10		Total EPA-Registered Products	Percent "No" Answers (EPA Reg.)	Unregistered Products - Answer to Question #10		Total Unregistered Products	Percent "No" Answers (Unreg.)	Total 24(c) Registrations	Percen "No" Answer (Total)
	Yes	No			Yes	No				
12	721	460	1181	39%	28	69	97	71%	1278	41%
15	205	200	405	49%	6	25	31	81%	436	52%
16	441	456	897	51%	73	656	729	90%	1626	68%
17	77	85	162	52%	166	157	323	49%	485	50%
IRB SUBTOTAL	1444	1201	2645	45%	273	907	1180	77%	3825	55%
21	438	435	873	50%	27	62	89	70%	962	52%
23	325	262	587	45%	14	31	45	69%	632	46%
25	771	477	1248	38%	31	67	98	68%	1346	40%
FHB SUBTOTAL	1534	1174	2708	43%	72	160	232	69%	2940	45%
TOTAL	2978	2375	5353	44%	345	1067	1412	76%	6765	51%

TABLE 13

PM DISTRIBUTION OF SLN REGISTRATIONS

PM #	Number of 24(c) Registrations for EPA-Registered Products	Number of 24(c) Registrations for Unregistered (New) Products	Total 24(c) Registrations	Total as Percent of all 24(c) Registrations	Percent Unregistered Products
12	1181	97	1278	19	8
15	405	31	436	6	7
16	897	729	1626	24	45
17	162	323	485	7	67
IRB SUBTOTAL	2645	1180	3825	56	32
21	873	89	962	14	9
23	587	45	632	9	7
25	1248	98	1346	20	7
FHB SUBTOTAL	2708	232	2940	43	8
TOTAL	5353	1412	6765		21

TABLE 14

DISTRIBUTION (BY STATE) OF 24(C) REGISTRATIONS FOR NON-EPA REGISTERED PRODUCTS

	Number of Section 24(c) Registrations For Unregistered Products	Percent of All Section 24(c) Registrations For Unregistered Products	Percent of All Registrations For That State
Alabama	15	2.1	15.3
Arizona	14	1.9	12.7
Arkansas	15	2.1	9.8
California	184	25.3	23.0
Colorado	10	1.4	10.6
Connecticut	4	.6	13.3
Delaware	4	.6	6.6
Florida	37	5.1	18.1
Georgia	11	1.5	7.9
Hawaii	3	.4	6.1
Idaho	16	2.2	9.6
Illinois	13	1.8	22.4
Indiana	16	2.2	22.5
Iowa	11	1.5	29.7
Kansas	23	3.2	24.5
Kentucky	2	.3	3.9
Louisiana	15	2.1	10.9
Maine	3	.4	12.0
Maryland	11	1.5	12.1
Massachusetts	1	.1	5.9
Michigan	10	1.4	9.7
Minnesota	9	1.2	14.8
Mississippi	18	2.5	9.8
Missouri	19	2.6	19.6
Montana	9	1.2	12.3
Nebraska	14	1.9	13.5
Nevada	3	.4	10.0
New Hampshire	1	.1	6.3
New Jersey	12	1.7	19.0
New Mexico	18	2.5	19.1
New York	9	1.2	11.0
North Carolina	9	1.2	6.7
North Dakota	9	1.2	10.5
Ohio	17	2.3	19.3
Oklahoma	16	2.2	16.3
Oregon	14	1.9	4.4
Pennsylvania	20	2.8	18.9
Rhode Island	3	.4	33.3
South Carolina	6	.8	5.5
South Dakota	5	.7	11.6
Tennessee	12	1.7	12.4
Texas	22	3.0	11.3
Utah	8	1.1	14.9
Vermont	1	.1	3.2
Virginia	12	1.7	10.1
Washington	23	3.2	6.3
West Virginia	6	.8	18.2
Wisconsin	--	--	--
Wyoming	10	1.4	26.3
Puerto Rico	3	.4	25.0
	726		

TABLE 15

COMPANIES WITH MORE THAN 100 24(C) REGISTRATIONS FOR THEIR EPA-REGISTERED PRODUCTS

COMPANY NUMBER	COMPANY NAME	TOTAL NUMBER 24(C) REGISTRATIONS	PERCENT OF ALL 24(C) REGISTRATIONS
3125	Mobay Chemical Corporation	619	9.8
352	E. I. du Pont De Nemours & Co.	563	8.9
279	FMC Corp.	511	8.1
464	Dow Chemical USA	361	5.7
239	Chevron Chemical Co.	357	5.7
201	Shell Chemical Co.	268	4.3
100	Ciba-Geigy Corp.	195	3.1
476	Stauffer Chemical Co.	175	2.8
264	Union Carbide Ag. Products Co.	162	2.6
707	Rohm & Haas Co.	127	2.0
4581	Agchem Div. - Pennwalt Corp.	123	2.0
677	Diamond Shamrock Ag. Chem.	121	1.9
1471	Elanco Products Div. Eli Lilly	117	1.9
400	Uniroyal Chemical	110	1.7
524	Monsanto Company	108	1.7

TABLE 16

FUNGICIDE-HERBICIDE PRODUCTS FOR WHICH TEN OR MORE SLN REGISTRATIONS HAVE BEEN ISSUED

PM NUMBER	REGISTRATION NUMBER	NUMBER OF 24(C) REGISTRATIONS	NUMBER OF STATES
21	3125-236	45	29
25	-277	89	35
21	-283	46	29
25	-314	74	29
21	-320	16	14
25	-325	63	23
21	352-291	17	17
25	-317	16	14
21	-341	30	22
21	-354	90	31
25	-375	29	16
23	-378	15	12
25	-382	32	14
23	-387	17	15
25	-390	30	13
21	279-388	12	9
25	464-320	11	11
25	-323	18	15
25	-333	11	11
25	-402	16	13
23	-490	13	11
25	239-2186	89	36
21	-2211	13	9
25	201-279	46	32
25	-281	25	19
23	100-437	13	10
25	-439	17	13
25	-497	21	13
23	-523	12	7
21	-607	10	10
21	476-581	12	10
25	-1979	10	4
25	-2108	38	20
25	264-138	19	14
25	-204	17	9
23	-231	20	13
21	707-2	10	7
21	-78	40	21
21	-83	17	10
23	-150	15	7
23	677-269	12	11
23	-289	11	11
21	-313	58	26
21	-315	10	8
23	1471-35	55	26
25	-96	29	14
25	-112	10	6
21	400-112	26	21
21	-115	13	13
25	524-308	60	36
25	-314	22	16

INSECTICIDE-RODENTICIDE PRODUCTS FOR WHICH TEN OR MORE SLN REGISTRATIONS HAVE BEEN ISSUED

PM NUMBER	REGISTRATION NUMBER	NUMBER OF 24(C) REGISTRATIONS	NUMBER OF STATES
12	279-2712	124	38
12	279-2876	163	36
12	201-324	42	18
12	201-347	36	17
16	239-2418	68	32
12	352-342	108	29
12	352-370	84	30
12	352-372	56	28
12	464-448	75	32
16	3125-288	33	16
12	4581-292	61	35

TABLE 17

TOTAL NUMBER OF ACTIVE* SECTION 24(C) REGISTRATIONS ISSUED PER STATE 1978-1982**

	1978	1979	1980	1981	1982**	Total
ALABAMA	13	20	18	38	9	98
ARIZONA	19	36	32	21	2	110
ARKANSAS	32	21	27	61	12	153
CALIFORNIA	206	318	183	85	8	800
COLORADO	28	22	19	25		94
CONNECTICUT	5	7	9	9		30
DELAWARE	21	12	14	12	3	62
FLORIDA	65	30	45	46	18	204
GEORGIA	40	22	29	39	9	139
HAWAII	7	20	12	10		49
IDAHO	27	28	54	47	10	166
ILLINOIS	11	17	12	15	3	58
INDIANA	17	11	15	25	3	71
IOWA	10	8	5	13	1	37
KANSAS	21	16	24	31	2	94
KENTUCKY	17	11	20	3		51
LOUISIANA	29	28	28	45	7	137
MAINE	7	11		5	2	25
MARYLAND	17	19	30	20	5	91
MASSACHUSETTS	8	3	5	1		17
MICHIGAN	18	30	27	23	5	103
MINNESOTA	3	18	18	19	3	61
MISSISSIPPI	26	24	50	64	19	183
MISSOURI	12	10	21	34	10	87
MONTANA	9	24	11	25	4	73
NEBRASKA	28	23	23	24	6	104
NEVADA	5	6	11	8		30
NEW HAMPSHIRE	3	6	1	4	2	16
NEW JERSEY	14	23	6	18	2	63
NEW MEXICO	17	26	21	22	8	94
NEW YORK	30	19	6	23	4	82
NORTH CAROLINA	37	29	26	33	9	134
NORTH DAKOTA	15	22	21	23	5	86
OHIO	10	17	18	36	7	88
OKLAHOMA	26	22	18	25	7	98
OREGON	50	65	84	100	16	315
PENNSYLVANIA	16	15	46	22	7	106
RHODE ISLAND	1	2	1	4	1	9
SOUTH CAROLINA	29	29	30	28	3	119
SOUTH DAKOTA	10	14	7	10	2	43
TENNESSEE	20	16	27	26	8	97
TEXAS	57	37	42	51	7	194
UTAH	9	22	17	23	3	74
VERMONT	7	7	8	7	2	31
VIRGINIA	25	23	38	23	10	119
WASHINGTON	75	77	99	102	10	363
WEST VIRGINIA	13		9	10	1	33
WISCONSIN		1				1
WYOMING	11	6	9	12		38
TOTAL	1176	1273	1276	1350	225	5330

*This chart was developed from a computer printout that may have contained some registrations that have expired with the states. This chart does not contain any registrations that have been cancelled or withdrawn by the state.

**Includes first quarter of calendar year 1982 statistics only.

TABLE 18

DISTRIBUTION OF THE TWO MOST PREVALENT CHEMICALS IN UNREGISTERED PRODUCTS (SAME SITE/PEST COMBINATIONS)

Company Name	Product Name	No. of Identical Registrations in different States	Special Local Need State Registration Numbers	Site/Pests
Philips Roxane	Anchor Permectin 10% E.C. (Permethrin)	33	AR800012, AZ810002, CO800017, DE800016, IA810003, ID810007, IL810003, IN810007, KS810003, LA800032, MD810003, ME810005, MI800023, MN810001, MO800019, MS810006, MT800014, NE800019, NV810002, NM800024, ND810014, NJ810001, OH800014A, OR800078, PA800043, SD810022, TN810005, TX810012, UT810002	Beef & Dairy Cattle, Horse, Sheep, Swine, Pet and Poultry Premises/House, Stable, Face and False Stable Flies
Philips Roxane	Overtime Long Acting Livestock Premise Insecticide (Permethrin)	28	AR800029, AZ810003, CO810005, DE800017, IA810004, ID810008, IN810008, KS810006, LA800033, MD810004, MI810003, MN810002, MO810002, MS810005, NE810001, NV810001, NM800025, ND810015, NJ810002, OH8100014B, OR810018, PA810001, SD810021, TN810006, TX810013, UT810001, WV810002, WY810001,	Beef & Dairy Cattle, Horse, Sheep, Swine, Pet and Poultry premises/house, Stable, Face and False Stable Flies
Burroughs Wellcome Company	Atroban Cattle Ear Tags (Permethrin)	21	AL810006, AR810003, CO810009, IA810014, ID810033, IL810015, IN810001, LA810003, MD810010, MI810006, MO810005, MT810009, ND810011, NE810006, NM810004, SD810019, TX810004, WY810013, NY820002, PA820007, TN820003	Dairy & Beef Cattle, and Calves/Hornflies, Faceflies, Gulf Coast Ticks, Spinose Ear Ticks, Stable and Houseflies

DISTRIBUTION OF THE TWO MOST PREVALENT CHEMICALS IN UNREGISTERED PRODUCTS (SAME SITE/PEST COMBINATIONS)

Company Name	Product Name	No. of Identical Registrations in different States	Special Local Need State Registration Numbers	Site/Pests
Y-Tex Corp.	Gardstar (Permethrin)	21	AL810007, AR810006, CO810010, FL810010, IL810017, IN810017, LA810008, MD810007, MI810006, MO810013, ND810012, NE810005, NM810006, OH810002, OK810007, SD810018, TX810007, WY810014, ID810035, WA810024, PA820008	Dairy & Beef Cattle, and Calves/Hornflies, Faceflies, Gulf Coast Ticks, Spinose Ear Ticks, Stable and Houseflies
Ralston Purina Company	Purina Hard Hitter W.P. (Permethrin)	16	AL810023, AZ810009, AR810002, IL810009, IN810014, KS810005, MN810021, MO810007, MS810012, NE810022, NC810006, NJ810007, OH810007, OK800011, PA810014, VA810012	Livestock & Poultry Premises/ Houseflies, Faceflies, Stableflies and Other Manure Breeding Flies
Ralston Purina Company	Purina Hard Hitter E.C. (Permethrin)	15	AL810022, AR810001, AZ810010, GA810014, IL810008, IN810013, KS810004, MN810022, MO810006, MS810011, NE810021, NJ810006, OH810006, OK810010, PA810013	Livestock and Poultry Premises/ House, Stable and Other Manure Breeding Flies
Hess & Clark, Inc.	Insectrin W.P. (Permethrin)	14	AL810013, AR810017, AZ810011, GA810015, IL810007, IN810006, KS810016, MO810015, MS810026, NC810009, NJ810011, OH810015, PA810009, VA810015	Livestock and Poultry Premises/ House, Stable and Other Manure Breeding Flies

DISTRIBUTION OF THE TWO MOST PREVALENT CHEMICALS IN UNREGISTERED PRODUCTS (SAME SITE/PEST COMBINATIONS)

Company Name	Product Name	No. of Identical Registrations in different States	Special Local Need State Registration Numbers	Site/Pests
Hess & Clark, Inc.	Insectrin E.C. (Permethrin)	11	AL810014, AR810016, AZ810012, IL810016, IN810015, KS810015, MO810014, MS810025, NJ810010, OH810014, PA810008	Livestock and Poultry Premises/ House, Stable and Other Manure Breeding Flies
Burroughs Wellcome Co.	Atroban W.P. (Permethrin)	10	CT810005, IA810007, ID810034, IL810016, ME810004, MI810007, MT810010, ND810010, WA810022, FL820012	Livestock and Poultry Premises/ Houseflies, Stableflies and Other Fannia Sp.
O.M. Scott & Sons Company	Proturf Insecticide 4 (Oftanol)	8	CT810009, MO820002, NJ820001, NY820004, OH820003, PA820009, RI820001, VA820001	Fairway & Putting Green Turf/ Various Turfgrass Insects
Mobay	Oftanol 5% G Insecticide (Oftanol)	22	AR820005, CT810002, DE810010, IA820001, ID820009, IL810011, IN810011, KS810032, MD810018, MI810014, NC810032, NJ810016, NM810024, NY810013, NH820002, PA810019, OH810025, RI810001, VA810024, VT820002, WV810007	Turfgrass/Insect control

Memorandum From Edwin L. Johnson, Deputy Assistant Administrator for Pesticide Programs

DEC 5 1979

OFFICE OF TOXIC SUBSTANCES

MEMORANDUM

SUBJECT: Emergency Exemptions

FROM: Deputy Assistant Administrator
for Pesticide Programs (TS-766)

TO: State Lead Personnel and Federal Agencies

THRU: EPA Regional Offices

The number of emergency exemption requests submitted to the Agency has almost doubled during the past two years. The resulting number of requests has placed a tremendous strain on Agency personnel resources. To compound the matter, many of the incoming requests lack essential information for determining whether an emergency situation exists.

This lack of essential information forces the Agency to deny requests, which may be of an emergency nature, on the basis that a determination cannot be made that an emergency situation exists. In other cases phone conversations and/or the need for additional information cause long and often unnecessary delays in processing requests.

In order to help process emergency exemption requests as quickly as possible the Agency requests that state or federal personnel, responsible for submitting emergency exemption requests, ensure that each request contains the information as outlined below. The following outline is intended to clarify the information requested in 40 CFR 166.3 (a copy is attached for your convenience).

A specific exemption request is to be filed by the head of a Federal Agency or the Governor of the State involved or by their official designee. The name, address, and telephone number of a knowledgeable expert to be contacted in case any questions arise must be included. Requests must be forwarded to both EPA headquarters and the Regional Office for the region in which the state is located.

A brief description of the emergency must be provided. It must include the scientific as well as common name of the pest or pest complex. An explanation of why the pest was not previously a problem requiring an emergency response must also be included in the request.

It is important that the request identify when and for how long the material must be available in order to cope with the emergency situation.

All pesticides currently registered for the particular site-pest in question must be identified and an in-depth explanation given for why each is ineffective or cannot be used to cope with the emergency. Evidence such as field data, statements by qualified agricultural experts and/or reference to state or federal agricultural reports must be submitted in support of this determination. It is important that the explanation fully cover the ineffectiveness or lack of availability of registered pesticides. Statements such as "registered pesticides are no longer effective" are considered to be vague and will not suffice. The applicant must explain why he considers the registered compounds to be no longer effective and submit such empirical data as are available to support such claims.

A detailed explanation of why registered pesticides are no longer effective is important because the Agency will be notifying registrants, of those pesticides which are no longer effective, to ensure that appropriate action is taken to amend their labeling by deletion or modification of those pesticidal claims.

Other available alternative control methods must be discussed in terms of how they apply to handling emergency situations.

If applicable, the trade name of the pesticide product requested for use and its EPA registration or experimental use permit number should be provided.

Information must be provided on the rate of application in pounds active ingredient per acre, the number of applications, application method(s), and total quantity of active ingredient and/or product required. Proposed pre-harvest interval and restrictions, which the state is capable of enforcing, concerning feed or food items must also be provided.

Provide information on the total number of acres to be treated (or a reasonable approximation). The areas in the state where the program will be in effect should be given. The acreage must include only the area where the problem exists and should not be in excess of the need to deal with the emergency.

Provide appropriate criteria which determine when an emergency condition will be deemed to exist (i.e., when a specific percent of the crop is infested, a level of insect counts, or other terms as applicable).

Applicants should discuss anticipated economic benefits and losses with and without the exemption. Information should pertain to emergency areas only, not the entire crop. The economics of the use of alternative pesticides must include the following, when applicable and available:

1. Cost of production of crop over the last four years and an estimation for the upcoming crop year.

2. Crop yields over the past four years. An estimation of crop yield for the upcoming year with use of registered pesticides as well as the pesticide proposed for use under the emergency.

3. Price received for crop (in appropriate units) over the last four years and an estimation of the price for the upcoming season.

4. An estimation of the percent control of the pest, with registered pesticides, over the last four years.

5. An estimation of percent control of the pest for the upcoming crop year with registered pesticides and proposed pesticide for use under the emergency exemption.

If the information requested in items 1 thru 5 above is not available (e.g., in cases of the occurrence of a new pest at an established site), an applicant should explain the unavailability and discuss anticipated economic benefits and losses in other appropriate terms.

In those situations when a state or federal agency is relying on data previously submitted to EPA, the data should be referenced by citation of appropriate EPA Registration Number, Experimental Use Permit Number, or Pesticide Petition Number.

Requests received which lack the above information will not be accepted for review on the basis of being technically incomplete. The applicant will be so notified.

Please note it is the Agency's policy not to grant an emergency exemption for the use of two different pesticide products, containing different active ingredients, to control the same pest on the same crop. Contrary to the position for section 3 actions, lack of essentiality is a key factor in section 18 actions. With the granting of an exemption for one pesticide, emergency conditions which would call for the need of a second pesticide will no longer exist, i.e., there would be an effective alternative to the emergency condition. In addition, reviewing multiple applications for the same emergency utilizes Agency resources which could more productively be devoted to another emergency situation and does not constitute the most productive use of resources from the users' viewpoint collectively. It also raises issues relative to the use of several pesticides on the same field under emergency exemptions for the different pesticides and leads to complex risk analyses for such combinations or to complex control mechanisms to preclude such treatment under each of several exemptions. However, under unusual circumstances, such as variable efficacy of unregistered alternatives, or when insufficient supplies of one pesticide are available to meet the entire emergency need, EPA will consider and potentially grant exemptions for multiple pesticides. It is of course the responsibility of the applicant to demonstrate that a special circumstance exists which would warrant multiple approvals. All chemicals requested for a multiple pesticide request should be dealt with in a single application so these issues may be properly considered. EPA will verify the need as it reviews applications.

The Agency has also noted that some emergency exemption requests are submitted year after year. Section 18 of FIFRA was not intended to be a substitute for section 3 of FIFRA. While we are aware that the states are not in a position to gather much of the data necessary to register a pesticide, we cannot sanction the continued use of a pesticide under section 18 year after year. States must either solicit help from companies producing the product to ensure that data is gathered and submitted in support of registration or search for alternative pesticides which can be registered.

The Agency has on occasion received specific exemption requests to allow for control of a pest at a site because of a lack of registered pesticides. In instances when the pest is new at the site or was previously not a problem, such a request may constitute a valid emergency. However, a situation where a new crop is being grown for the first time and there are no registered pesticides to control probable pests which may appear, does not constitute an emergency.

Please note it is the applicant's responsibility to ensure that pesticides used under an emergency exemption are not used in areas where endangered or rare species are known or expected to occur if: 1) the endangered or rare species is likely to be exposed to the pesticide (directly or through its food chain) and the pesticide is toxic to the species, or 2) the pesticide, will causes a disruption in an endangered or rare species habitat or diminish its food supply. State agencies must consult with the proper state fish and wildlife agency prior to applying for an emergency exemption and include the necessary information in the application. Federal agencies must also consult local State Fish and Wildlife agencies as well as be in compliance with section 7 of the Endangered Species Act of 1973 (Public Law 93-205).

Federal and State agencies exercising crisis exemptions for situations involving the unpredictable outbreak of pests must ensure that steps are taken to reduce possible adverse effects on man. When a crisis exemption is taken which involves a food or feed item and is not followed-up by a specific exemption request, it is the Federal or State agency's responsibility to request a determination of a safe level for residues of the active ingredient(s) of the pesticide in or on the treated food or feed commodities. In the event that EPA cannot determine a safe level, treated commodities may be confiscated and destroyed by the Food and Drug Administration, U.S. Department of Health, Education, and Welfare. In addition, if a crisis exemption is exercised by a Federal or State agency and EPA determines that emergency conditions did not exist, the Federal or State agency's right to a crisis exemption may be withdrawn in accordance with 40 CFR 166.9.

Applicants should keep in mind that it is their responsibility to ensure that use of a pesticide under section 18 of FIFRA is in accordance with the authorizing exemption; that the reports required under Parts 166.5, -6, and -8 and the authorizing exemption are submitted; and, in addition, that studies required to be conducted as a condition in the authorizing exemption are carried out and results submitted prior to requesting further exemptions for the same use.

Questions concerning requests for emergency exemptions under section 18 of FIFRA may be directed to the personnel of the Emergency Response Section, Registration Division, at (202) 426-0223.

MEMORANDUM FROM EDWIN L. JOHNSON, DEPUTY ASSISTANT ADMINISTRATOR FOR PESTICIDE PROGRAMS

SEP 23 1982

MEMORANDUM

TO: State Lead Agencies

SUBJECT: Clarfication of the Use of FIFRA Section 18 Emergency Exemptions

Recently, I had the pleasure of meeting again with officials from SFIREG and AAPCO to discuss, among other things, the emergency exemption program. During this discussion, some officials expressed the opinion that some companies are using the Section 18 process to circumvent the Section 3 registration process. As an example, I am aware that two senior ICI Americas' staff members were quoted in two different press articles regarding their ability to manipulate the registration process by "pulling out all stops in its effort to obtain clearance for Fusilade as a post emergence grass killer this year." Needless to say, I was extremely disturbed by these articles even though the company indicated that their employees were misquoted and apologized for any confusion or embarrassment the articles may have generated.

On the other hand, we have been experiencing an increase in emergency exemption requests that can be classified as borderline. These types of requests appear to be indicative of either company pressure to use a pesticide even though alternatives are available to control an emergency situation or an attempt to justify the existence of an emergency because the product of choice is cheaper than the currently registered product.

As you all know, the Section 18 process is a valuable process that allows us to grant pesticide use to control or eradicate emergency pest situations. Because of this, it is certainly not in our best interest to allow this process to be abused. At the SFIREG meeting I pointed out, for example, that emergency exemption requests on new chemicals would continue to be a problem and that states and EPA needed to ensure that this process not become a vehicle for early marketing of compounds which have not yet progressed through the normal registration process.

Even though states have the role to determine if an emergency situation does, in fact, exist, nevertheless, the states must increase their sensitivity to ensure that their role in making this process work continues. We need your support to continually monitor your submissions to make sure that your emergencies are true emergencies and that the lack of alternatives to resolve the problem is adequately justified. I might add that the cost of a product should, in itself, not be the determining factor to justify that an emergency exists.

In our role of continually monitoring our regulations and procedures to ensure maximum output, we are in the midst of reviewing Part 166 of 40 CFR, the emergency exemption regulations, as required by the President's Executive Order 12291, and conducting an audit of our Sections 18 and 24(c) special local need programs. Relative to the audit we are assessing the programs' effectiveness in how well and to what extent the states, companies, and EPA are complying with the regulations. One area of particular interest to me is whether there are certain chemicals, companies, or states that are especially prevalent in these programs. More specifically, we will be looking to identify recurring patterns which seem inappropriate in the context of the congressional intent of the programs. Eventually, we will be asking for your help in subsequently revising regulations and procedures depending on the results of our audit.

So far, we have been pleased with our implementation of this program and, for the most part, from the comments I've heard, so are you. However, we don't want to rest on our laurels, but we will, with your support, continue to improve our regulations and procedures in order to respond to your needs and your growers' needs as quickly as possible.

Ed Johnson

Edwin L. Johnson, Director
Office of Pesticide Programs (TS-766C)

CLEAN LAKES PROGRAM

Senator Proxmire. The clean lakes program will receive no funding in fiscal year 1984. However, there are 29 existing phase II projects and 112 phase I projects which have yet to receive funding. In many cases, States and localities have put up significant funds for these matching programs.

What will happen to these projects?

Mr. Eidsness. The position that we have taken, Senator, is that the clean lakes program has, in effect, demonstrated its worth in terms of effectiveness. The view held is that inasmuch as the benefits tend to be accrued by the States and localities, it ought to be a program that will go forward now under their direction and, perhaps, funding.

As you know, the Congress gave us an additional $3 million in 1983 which we had not requested, and these funds are being allocated first to phase II projects in order to complete them. To the extent that other funds are available, they would go to phase I projects to further move them along. Although, I must also add, no final decisions have been made with respect to this funding.

Senator Proxmire. So you think it is a good program, but you are not providing any further money. You didn't recommend any last time. The only funding that would be available is what may be left over. Is that right?

Mr. Eidsness. That is correct, Senator.

Senator Proxmire. That is really discouraging.

Mr. Chairman, I have a number of other questions. Because the hour is so late and I know how patient we have been, I will ask if they can be submitted for the record.

Senator Garn. We would be happy to submit them for the record.

CSO FACILITIES ELIGIBLE FOR FEDERAL FUNDING

Senator Proxmire. On March 10 you transmitted a copy of a report on CSO's as requested in the fiscal year 1983 HUD-Independent Agencies conference report. This report identifies a total of 115 CSO facilities eligible for Federal funding. Your report estimates a funding requirement of $11.6 billion.

Could you make that report available for the record?

Mr. Eidsness. Yes. I would be happy to do that, Senator.

[The information follows:]

ADDENDUM TO THE 1982 NEEDS SURVEY

COST ESTIMATES FOR CONTROL OF COMBINED SEWER DISCHARGE TO MARINE BAYS AND ESTUARIES

March 1, 1983

Prepared by:

Priority and Needs Assessment Branch (WH-595)
Facility Requirements Division
Office of Water Program Operations
U.S. Environmental Protection Agency
Washington, D.C. 20460
(202) 382-7251

I. PURPOSE AND SCOPE

This report is submitted in compliance with Amendment 29 of the Conference Report on the FY 1983 Appropriations for HUD and Independent Agencies (Conference Report No. 92-549, Public Law 97-272). This legislation also appropriated $30 million for control of combined sewer overflows (CSOs) affecting marine waters. The separate marine CSO fund was authorized in section 201(n)(2) of the Clean Water Act, enacted as a part of the Municipal Wastewater Treatment Construction Grant Amendments of 1981(P.L. 97-117). Section 201(n)(2) states in part that:

> "...the Administrator shall have available...funds...to address water quality problems of marine bays and estuaries subject to lower levels of water quality due to the impacts of discharges from combined storm water and sanitary sewer overflows from adjacent urban complexes..."

This report is presented as an addendum to the 1982 Needs Survey submitted to Congress on December 31, 1982. The 1982 Needs Survey considered all categories of need for construction of publicly-owned wastewater treatment facilities including all Category V (CSO) needs on a State-by-State basis. This addendum, extracted entirely from the 1982 Needs Survey data-of-record, presents a list of combined sewer facilities discharging to or affecting the tidally-influenced coastal waters of bays and estuaries and their estimated CSO control costs. The list is based on a careful map inspection and a review of State water quality standards and other available Needs Survey documentation.

The marine bays and estuary waters described in this report are not the same as "marine waters" defined for the 301(h) program for waiver of secondary treatment requirements for marine waters. The legislative history (Conference Report Nos. 97-408, 97-720) for the separate marine CSO fund recognizes this distinction and requires that each grant application for a CSO project be supported by a demonstration of shellfish and swimming benefits. Every facility on the list presented in this addendum is not necessarily eligible for funding from the separate marine CSO correction fund. Since all tidally-influenced waters are not necessarily marine, the determination of whether a tidal water is actually marine will depend on a rigorous case-by-case analysis of site specific factors. As a requirement for Federal funding, each grant application for a proposed marine CSO project will be individually reviewed and must meet criteria in sections 35.2024(b)(2) and (3) of the Construction Grant Regulation (Title 40 of the Code of Federal Regulations (CFR)). Since the final eligibility determination for funding from the marine CSO fund depends on individual reviews of grant applications, CSO facility needs for marine bays and estuaries are referred to in this report as potential CSO facility needs for marine bays and estuaries.

The Construction Grant Regulation requires the Administrator to establish priorities for project applications with demonstrated water quality benefits based upon the following criteria:

(1) Extent of water use benefits that would result, including swimming and shellfishing;

(2) Relationship of water quality improvements to project costs; and

(3) National or regional significance.

EPA will soon publish procedural and technical guidance on marine CSO applications and the demonstration of water quality benefits.

The dollar needs for each facility and supporting information are reported in this addendum. Included are data related to the combined sewer system such as total area, population served, and the name of the municipality. Also provided is information on the receiving water such as the type of receiving water, the receiving water name, and the most stringent receiving water use objective.

All cost estimates reported here are expressed in January 1982 dollars.

II. NATIONAL SUMMARY OF NEEDS FOR CONTROL OF POTENTIAL MARINE CSO DISCHARGE

Seventeen States have a total of 115 combined sewer facilities affecting the tidal waters of bays and estuaries that are potentially marine. A CSO facility is defined as existing treatment works tributary to an area served by combined sewers designed to transport both stormwater and sanitary sewage. The total 115 CSO facilities serve 16.6 million people, 526,000 acres of urban land, and 1,869 overflow points. The CSO control needs for these facilities total about $11.6 billion.

Table A presents a national summary of State needs for control of potential marine CSO's; the total number of CSO points, combined sewer area and 1980 population served in each State; and the total Category V needs.

Nationally, only 10 percent of all CSO facilities affect potential marine bays and estuaries. However, these facilities account for about 31 percent of total Category V needs and 38 percent of the total population served by combined sewers. Three States (Massachusetts, New Jersey, and New York) have estimated marine CSO pollution control needs greater than $1 billion each.

Figure 1 illustrates the geographic distribution of the subject combined sewer facilities, while Figure 2 illustrates the geographic distribution of their CSO pollution abatement needs (in dollars).

Table A
NATIONAL SUMMARY OF POTENTIAL CSO POLLUTION CONTROL NEEDS FOR MARINE BAYS AND ESTUARIES

State	Number of CSO Points	Number of Combined Sewer Systems	Combined Sewer Area (acres)	1980 Population Served	Total Needs Estimate (in Thousands; January 1982 Dollars)
Alaska	2	2	324	4,860	$ 18,388
California	31	1	15,660	473,000	460,600
Connecticut	225	9	16,706	311,064	581,211
Delaware	53	4	8,426	88,668	290,836
District of Columbia	59	1	14,713	489,093	68,119
Georgia	1	1	135	18,210	4,492
Maine	128	17	20,809	133,240	385,228
Maryland	14	1	330	2,100	5,023
Massachusetts	201	13	44,033	1,285,890	1,140,045
New Hampshire	12	3	3,039	34,080	62,606
New Jersey	266	25	101,413	1,634,202	1,706,576
New York	322	18	203,269	9,226,386	5,270,712*
Oregon	12	2	1,320	5,796	16,951
Pennsylvania	207	2	47,513	1,962,102	804,015
Rhode Island	88	3	9,544	220,550	279,200
Virginia	51	3	11,364	417,815	208,562
Washington	197	10	27,377	246,862	289,715
U.S. TOTALS	1,869	115	525,975	16,553,918	11,592,279

*State of New York estimate includes an adjustment of $2.2 billion in the total Category V needs estimates reported in the 1982 Needs Survey from $5.6 billion to $7.8 billion for the State of New York and from $35.7 billion to $37.9 billion for the nation.

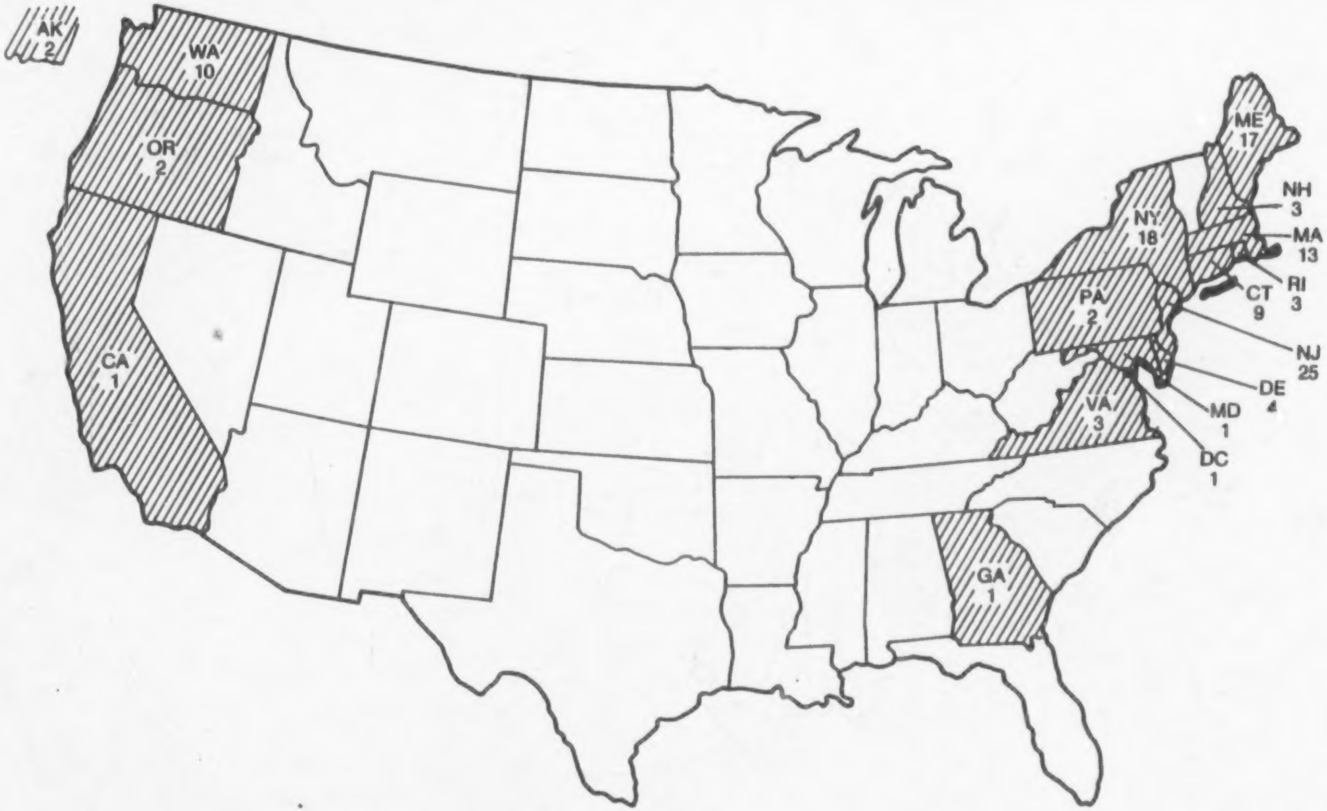
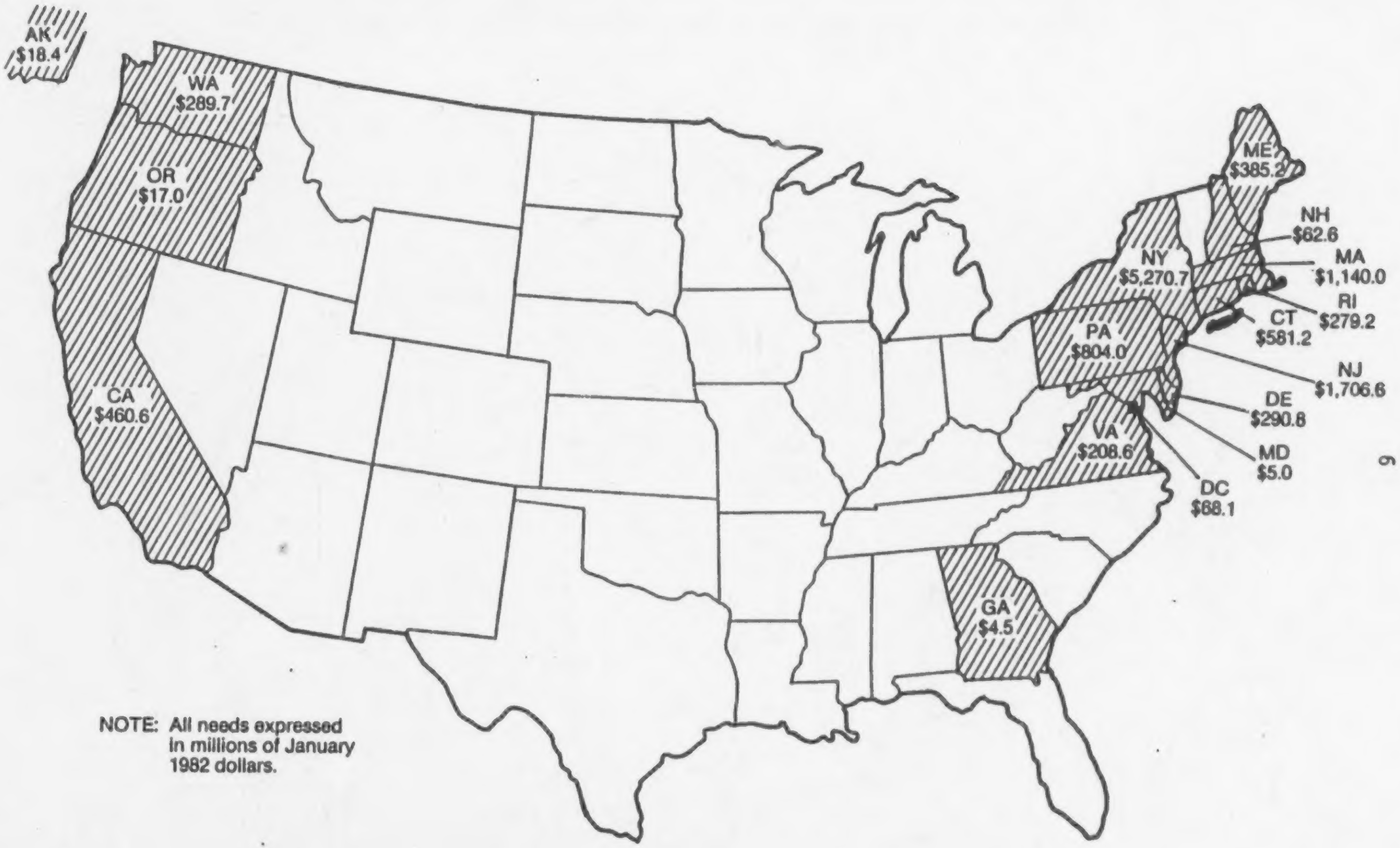

AK
2
WA
10
OR
2
CA
1
ME
17
NH
3
MA
13
RI
3
CT
9
NJ
25
NY
18
PA
2
DE
4
MD
1
VA
3
DC
1
GA
1

FIGURE 1. GEOGRAPHIC DISTRIBUTION OF POTENTIAL MARINE CSO FACILITIES


AK
$18.4
WA
$289.7
OR
$17.0
CA
$460.6
ME
$385.2
NH
$62.6
MA
$1,140.0
RI
$279.2
CT
$581.2
NY
$5,270.7
PA
$804.0
NJ
$1,706.6
DE
$290.8
MD
$5.0
DC
$68.1
VA
$208.6
GA
$4.5

NOTE: All needs expressed in millions of January 1982 dollars.

FIGURE 2. GEOGRAPHIC DISTRIBUTION OF ESTIMATED POTENTIAL MARINE CSO CONTROL NEEDS

III. FACILITY ESTIMATES OF POTENTIAL MARINE CSO CONTROL NEEDS

A. Introduction

This section presents the CSO pollution control needs for each of the 115 facilities potentially affecting marine bays and estuaries. The facility estimates and supporting data are grouped by State in alphabetical order and are reported in Tables 1 through 17 in Appendix A.

The needs estimates for about 92 percent (106 facilities) of the potential marine CSO facilities were developed using an automated needs estimation program. This program is summarized briefly in Appendix B of this addendum and described fully in Appendix A of the 1982 Needs Survey Report to Congress. Estimates for the remaining 8 percent (9 facilities) were taken from an available facilities plan or similar documents listed in Appendix C.

B. Facility Estimates

The first task in developing the facility needs estimate was to determine which of 1,084 combined sewer facilities in the United States discharge to potential marine bays and estuaries. This was accomplished in a three-step procedure. First, the 1982 Needs Survey inventory of combined sewers was searched to identify all facilities which discharge to tidally influenced bays and estuaries. Second, the 1982 Needs Survey stream use data was searched to determine which CSO areas were classified as tidal or marine by the State Water Quality standards. Finally, each facility with an uncertain classification was located on a USGS Hydrologic Unit Map. Map inspection indicated whether the receiving water is influenced by ocean tides. Appropriate corrections then were made to the 1982 Needs Survey data file. This procedure resulted in the identification of 17 States having 115 CSO facilities affecting tidal bays and estuaries that are potentially marine.

The tables in Appendix A are presented in two parts. Part A reports the location of the facility, the characteristics of the combined sewer service area as well as the estimated CSO control needs, and the basis for that estimate. Also reported in Part A is the general type of receiving water and the receiving water name.

Each facility appearing in Part A of Tables 1 through 17 is described as follows:

1. Authority/Facility Number. The authority/facility serving the combined sewer system.

2. Authority/Facility Name. The official name of the authority with major responsibility for operation of the combined sewer system.

3. City Name. The name of the city in which the combined sewer system is located.

4. Combined Sewer Area. The area (in acres) served directly by the combined sewer system.

5. Combined Sewer Population. Total number of people residing in the area drained directly by the combined sewer system.

6. Receiving Water Type. Physical classification of the receiving water according to general characteristics. Possible types are estuary/bay or ocean. Freshwater systems (i.e., streams and lakes) are not included in these tables.

7. Receiving Water Name. Name of major receiving water which is subject to periodic combined sewer overflow.

8. Needs. Estimated capital needs for CSO control in thousands of January 1982 dollars. These estimates are total remaining needs and include an allowance for planning and design as well as construction. The development of these needs estimates is discussed in Appendix B.

Part B of the tables presents details of the basis of estimates and the generic receiving water use. This information is provided because it was used in the needs estimation program. The estimation procedure involved four general steps: (1) identification of the major water body segment receiving CSOs in a metropolitan area; (2) identification of the State designated stream use classification(s) for the segment; (3) matching of each State stream use to a generic stream use; and (4) estimation of the level of CSO control needed to maintain the stream use.

Each designated item appearing in Part B of Tables 1 through 17 is defined as follows:

1. Authority/Facility Number. Same as Part A.

2. Basis of Estimate. Each Category V needs estimate is based either on a facilities plan or on the Category V needs estimation program (NEP). The needs estimation program estimates the cost of CSO control necessary to protect the State designated receiving water use and compares this cost to the alternative cost of sewer separation. The least cost alternative is then selected. The six possible basis of estimate are defined as follows:

   a. Aesthetics - NEP

   b. Public Health - NEP

   c. Fish and Wildlife - NEP

   d. Recreation - NEP

   e. Sewer Separation - NEP

   f. Facility Plan

3. Limiting Generic Use. This is the general description of the most stringent receiving water use which controls the required level of CSO pollution control. The generic use is a function of the official State-designated Water Quality Standards.

APPENDIX A—STATE TABLES WITH FACILITY ESTIMATES OF POTENTIAL MARINE CSO NEEDS

1982 NEEDS SURVEY

TABLE 1

ALASKA

PART A

AUTHORITY / NUMBER	FACILITY NAME	CITY NAME	ESTIMATE OF MARINE CSO CONTROL NEEDS ---- COMBINED SEWER ---- AREA (AC.)	POPULATION	------ RECEIVING WATER ------ TYPE	NAME	NEEDS ($ 1000)
02-0102-001	JUNEAU, BOROUGH OF	JUNEAU	320	4,800	EST/BAY	GASTINEAU CHANNEL	18,161
02-0125-001	CORDOVA, CITY OF	CORDOVA	4	60	EST/BAY	PRINCE WILLIAM SOUND	227
STATE TOTALS			324	4,860			18,388

PART B DESIGNATED RECEIVING WATER USE & BASIS OF NEEDS ESTIMATE

AUTHORITY/FACILITY NUMBER	BASIS OF ESTIMATE	LIMITING GENERIC USE
02-0102-001	RECREATION - NEP	SHELLFISH PROTECTION
02-0125-001	RECREATION - NEP	SHELLFISH PROTECTION

1982 NEEDS SURVEY

TABLE 2

CALIFORNIA

PART A

AUTHORITY / NUMBER	FACILITY NAME	CITY NAME	ESTIMATE OF MARINE CSO CONTROL NEEDS ---- COMBINED SEWER ---- AREA (AC.)	POPULATION	------ RECEIVING WATER ------ TYPE	NAME	NEEDS ($ 1000)
06-2032-002	SAN FRANCISCO CI&CO	SAN FRANCISCO	15,660	473,000	EST/BAY	SAN FRANCISCO BAY	460,600
STATE TOTALS			15,660	473,000			460,600

PART B DESIGNATED RECEIVING WATER USE & BASIS OF NEEDS ESTIMATE

AUTHORITY/FACILITY NUMBER	BASIS OF ESTIMATE	LIMITING GENERIC USE
06-2032-002	FACILITY PLAN	SHELLFISH PROTECTION

1982 NEEDS SURVEY

TABLE 3

CONNECTICUT

ESTIMATE OF MARINE CSO CONTROL NEEDS

PART A

AUTHORITY / NUMBER	FACILITY NAME	CITY NAME	---- COMBINED SEWER ---- AREA (AC.)	POPULATION	------ RECEIVING WATER ------ TYPE	NAME	NEEDS ($ 1000)
09-0150-001	BRIDGEPORT CITY OF	BRIDGEPORT	3,380	50,000	EST/BAY	BRIDGEPORT HARBOR	114,000
09-0370-001	DERBY CITY	DERBY	300	11,000	EST/BAY	HOUSATONIC R	11,558
09-0641-001	MDC HARTFORD	HARTFORD	2,992	110,000	EST/BAY	CONNECTICUT R	146,882
09-0830-001	MIDDLETOWN TOWN	MIDDLETOWN	850	8,014	EST/BAY	CONNECTICUT RIVER	17,318
09-0930-001	NEW HAVEN CITY OF	NEW HAVEN	3,658	84,300	EST/BAY	NEW HAVEN HARBOR	174,302
09-1030-001	NORWALK TOWN OF	NORWALK	525	15,800	EST/BAY	NORWALK HARBOR	33,605
09-1040-001	NORWICH CITY OF	NORWICH	4,000	23,000	EST/BAY	THAMES R	63,480
09-1130-001	PORTLAND TOWN OF	PORTLAND	21	150	EST/BAY	CONNECTICUT RIVER	393
09-1260-001	SHELTON CITY OF	SHELTON	980	8,800	EST/BAY	HOUSATONIC RIVER	19,673
STATE TOTALS			16,706	311,064			581,211

PART B DESIGNATED RECEIVING WATER USE & BASIS OF NEEDS ESTIMATE

AUTHORITY/FACILITY NUMBER	BASIS OF ESTIMATE	LIMITING GENERIC USE
09-0150-001	FACILITY PLAN	SHELLFISH PROTECTION
09-0370-001	RECREATION - NEP	SHELLFISH PROTECTION
09-0641-001	RECREATION - NEP	SHELLFISH PROTECTION
09-0830-001	RECREATION - NEP	FULL BODY CONTACT (REC.)
09-0930-001	RECREATION - NEP	SHELLFISH PROTECTION
09-1030-001	RECREATION - NEP	SHELLFISH PROTECTION
09-1040-001	RECREATION - NEP	SHELLFISH PROTECTION
09-1130-001	RECREATION - NEP	SHELLFISH PROTECTION
09-1260-001	RECREATION - NEP	SHELLFISH PROTECTION

1982 NEEDS SURVEY

TABLE 4

DELAWARE

PART A ESTIMATE OF MARINE CSO CONTROL NEEDS

AUTHORITY NUMBER	/ FACILITY NAME	CITY NAME	---- COMBINED SEWER ---- AREA (AC.)	POPULATION	------ RECEIVING WATER ------ TYPE	NAME	NEEDS ($ 1000)
10-0009-001	SEAFORD CITY OF	SEAFORD	240	600	EST/BAY	NANTICOKE RIVER	2,411
10-0017-001	MILFORD CITY OF	MILFORD	350	4,860	EST/BAY	MISPILLION RIVER	8,111
10-0018-001	LEWES SEWERAGE SYS	LEWES	900	2,620	EST/BAY	LEWIS REHOBOTH CANAL	10,959
10-0027-001	WILMINGTON W P C F	WILMINGTON	6,936	80,368	EST/BAY	BRANDYWINE CREEK	269,355
STATE TOTALS			8,426	88,668			290,836

PART B DESIGNATED RECEIVING WATER USE & BASIS OF NEEDS ESTIMATE

AUTHORITY/FACILITY NUMBER	BASIS OF ESTIMATE	LIMITING GENERIC USE
10-0009-001	SEWER SEPARATION - NEP	SHELLFISH PROTECTION
10-0017-001	RECREATION - NEP	SHELLFISH PROTECTION
10-0018-001	SEWER SEPARATION - NEP	SHELLFISH PROTECTION
10-0027-001	RECREATION - NEP	SHELLFISH PROTECTION

1982 NEEDS SURVEY

TABLE 5

DIST. OF COLUMBIA

PART A ESTIMATE OF MARINE CSO CONTROL NEEDS

AUTHORITY NUMBER	/ FACILITY NAME	CITY NAME	---- COMBINED SEWER ---- AREA (AC.)	POPULATION	------ RECEIVING WATER ------ TYPE	NAME	NEEDS ($ 1000)
11-0001-001	DC DEPT ENVIR SERVS	WASHINGTON	14,713	489,093	EST/BAY	POTOMAC RIVER	68,119
STATE TOTALS			14,713	489,093			68,119

PART B DESIGNATED RECEIVING WATER USE & BASIS OF NEEDS ESTIMATE

AUTHORITY/FACILITY NUMBER	BASIS OF ESTIMATE	LIMITING GENERIC USE
11-0001-001	FACILITY PLAN	AQUATIC FISH & WILDLIFE (GEN.)

1982 NEEDS SURVEY

TABLE 6

GEORGIA

PART A

ESTIMATE OF MARINE CSO CONTROL NEEDS

AUTHORITY / NUMBER	FACILITY NAME	CITY NAME	COMBINED SEWER AREA (AC.)	COMBINED SEWER POPULATION	RECEIVING WATER TYPE	RECEIVING WATER NAME	NEEDS ($ 1000)
13-0062-001	SAVANNAH,CITY OF	SAVANNAH	135	18,210	EST/BAY	VERNON RIVER	4,492
STATE TOTALS			135	18,210			4,492

PART B DESIGNATED RECEIVING WATER USE & BASIS OF NEEDS ESTIMATE

AUTHORITY/FACILITY NUMBER	BASIS OF ESTIMATE	LIMITING GENERIC USE
13-0062-001	PUBLIC HEALTH - NEP	RAW DOMESTIC WATER SUPPLY

1982 NEEDS SURVEY

TABLE 7

MAINE

PART A

ESTIMATE OF MARINE CSO CONTROL NEEDS

AUTHORITY / NUMBER	FACILITY NAME	CITY NAME	COMBINED SEWER AREA (AC.)	COMBINED SEWER POPULATION	RECEIVING WATER TYPE	RECEIVING WATER NAME	NEEDS ($ 1000)
23-0002-001	PORTLAND PWD	PORTLAND	4,775	58,000	EST/BAY	CASCO BAY	143,847
23-0003-001	SOUTH PORTLAND CITY	SOUTH PORTLAND	2,521	14,000	EST/BAY	CASCO BAY	75,945
23-0007-001	BIDDEFORD, CITY OF	BIDDEFORD	2,000	12,000	EST/BAY	SACO RIVER	35,209
23-0015-001	WESTBROOK PWD	WESTBROOK	482	3,500	EST/BAY	PRESUMPSCOT R	14,520
23-0017-001	SACO CITY OF	SACO	770	7,500	EST/BAY	SACO RIVER	15,423
23-0020-001	BAR HARBOR TOWN OF	BAR HARBOR	765	2,775	EST/BAY	FRENCHMAN BAY	10,396
23-0021-001	BATH CITY OF	BATH	1,700	9,500	EST/BAY	KENNEBEC ESTUARY	29,474
23-0022-001	BELFAST PWD	BELFAST	400	600	EST/BAY	ATLANTIC OCEAN	2,624
23-0046-001	KENNEBUNK SEWER DIST	KENNEBUNK	160	5,000	EST/BAY	MOUSAM RIVER	5,711
23-0051-001	MACHIAS TOWN OF	MACHIAS	250	3,000	EST/BAY	MACHIAS RIVER	5,374
23-0066-001	ROCKLAND CITY OF	ROCKLAND CITY OF	619	6,675	EST/BAY	ROCKLAND HARBOR	12,818
23-0097-001	EASTPORT CITY OF	EASTPORT	5,120	1,500	EST/BAY	COBSCOOK BAY	13,177
23-0112-001	CALAIS CITY OF	CALAIS	650	3,000	EST/BAY	ST CROIX R	10,859
23-0113-001	CAMDEN TOWN OF	CAMDEN	58	4,000	EST/BAY	PENOBSCOT BAY	3,394
23-0118-001	FALMOUTH TOWN OF	FALMOUTH	77	340	EST/BAY	CASCO BAY	1,247
23-0126-001	KITTERY, TOWN OF	KITTERY	410	1,100	EST/BAY	PISCATAQUA R	4,292
23-0147-001	THOMASTON TOWN OF	THOMASTON	32	750	EST/BAY	ST GEORGE RIVER	918
STATE TOTALS			20,809	133,240			385,228

PART B DESIGNATED RECEIVING WATER USE & BASIS OF NEEDS ESTIMATE

AUTHORITY/FACILITY NUMBER	BASIS OF ESTIMATE	LIMITING GENERIC USE
23-0002-001	SEWER SEPARATION - NEP	SHELLFISH PROTECTION
23-0003-001	SEWER SEPARATION - NEP	SHELLFISH PROTECTION
23-0007-001	RECREATION - NEP	FULL BODY CONTACT (REC.)
23-0015-001	SEWER SEPARATION - NEP	FULL BODY CONTACT (REC.)
23-0017-001	RECREATION - NEP	FULL BODY CONTACT (REC.)
23-0020-001	SEWER SEPARATION - NEP	SHELLFISH PROTECTION
23-0021-001	RECREATION - NEP	SHELLFISH PROTECTION
23-0022-001	SEWER SEPARATION - NEP	SHELLFISH PROTECTION
23-0046-001	RECREATION - NEP	SHELLFISH PROTECTION
23-0051-001	RECREATION - NEP	SHELLFISH PROTECTION
23-0066-001	RECREATION - NEP	SHELLFISH PROTECTION
23-0097-001	SEWER SEPARATION - NEP	SHELLFISH PROTECTION
23-0112-001	RECREATION - NEP	SHELLFISH PROTECTION
23-0113-001	RECREATION - NEP	SHELLFISH PROTECTION
23-0118-001	SEWER SEPARATION - NEP	SHELLFISH PROTECTION
23-0126-001	SEWER SEPARATION - NEP	FULL BODY CONTACT (REC.)
23-0147-001	RECREATION - NEP	SHELLFISH PROTECTION

1982 NEEDS SURVEY TABLE 8

MARYLAND

PART A ESTIMATE OF MARINE CSO CONTROL NEEDS

AUTHORITY / FACILITY NUMBER	NAME	CITY NAME	COMBINED SEWER AREA (AC.)	COMBINED SEWER POPULATION	RECEIVING WATER TYPE	RECEIVING WATER NAME	NEEDS ($ 1000)
24-0046-001	CAMBRIDGE COMM OF	CAMBRIDGE	330	2,100	EST/BAY	CHOPTANK RIVER	5,023
STATE TOTALS			330	2,100			5,023

PART B DESIGNATED RECEIVING WATER USE & BASIS OF NEEDS ESTIMATE

AUTHORITY/FACILITY NUMBER	BASIS OF ESTIMATE	LIMITING GENERIC USE
24-0046-001	RECREATION - NEP	SHELLFISH PROTECTION

1962 NEEDS SURVEY

MARCH 1, 1983
TABLE 9

MASSACHUSETTS

PART A

ESTIMATE OF MARINE CSO CONTROL NEEDS

AUTHORITY / NUMBER	FACILITY NAME	CITY NAME	---- COMBINED SEWER ---- AREA (AC.)	POPULATION	------ RECEIVING WATER ------ TYPE	NAME	NEEDS ($ 1000)
25-0002-001	LYNN CITY OF	LYNN	2,570	54,000	EST/BAY	LYNN HARBOUR	41,000
25-0038-001	HAVERHILL CITY OF	HAVERHILL	5,000	44,600	EST/BAY	MERRIMACK RIVER	188,289
25-0039-001	LAWRENCE CITY OF	LAWRENCE	3,200	45,000	EST/BAY	SPICKETT RIVER	120,505
25-0040-001	NEW BEDFORD CITY OF	NEW BEDFORD	4,500	104,000	EST/BAY	BUZZARDS BAY	126,789
25-0072-001	GLOUCESTER CITY OF	GLOUCESTER	300	15,500	EST/BAY	GLOUCESTER HARBOR	12,106
25-0075-001	HULL TOWN OF	HULL	233	4,500	EST/BAY	MASSACHUSETTS BAY	8,818
25-0090-001	CAMBRIDGE CITY OF	CAMBRIDGE	1,189	55,000	EST/BAY	CHARLES R	19,549
25-0091-001	FALL RIVER CITY OF	FALL RIVER	3,840	92,600	EST/BAY	MOUNT HOPE BAY	182,965
25-0101-001	AMESBURY TOWN OF	AMESBURY	500	8,800	EST/BAY	MERRIMACK RIVER	18,829
25-0105-001	CHELSEA CITY OF	CHELSEA	1,247	30,600	EST/BAY	MYSTIC R	24,307
25-0116-001	BROOKLINE TOWN OF	BROOKLINE	3,190	56,200	EST/BAY	CHARLES R	42,581
25-0128-001	METRO DIST COMM	BOSTON	17,017	692,200	EST/BAY	BOSTON HARBOR	330,000
25-0233-001	SOMERVILLE CITY OF	SOMERVILLE	1,247	80,890	EST/BAY	MYSTIC R	24,307
STATE TOTALS			44,033	1,285,890			1,140,045

PART B DESIGNATED RECEIVING WATER USE & BASIS OF NEEDS ESTIMATE

AUTHORITY/FACILITY NUMBER	BASIS OF ESTIMATE	LIMITING GENERIC USE
25-0002-001	FACILITY PLAN	RECREATION (GEN.)
25-0038-001	RECREATION - NEP	SHELLFISH PROTECTION
25-0039-001	RECREATION - NEP	SHELLFISH PROTECTION
25-0040-001	RECREATION - NEP	SHELLFISH PROTECTION
25-0072-001	RECREATION - NEP	FULL BODY CONTACT (REC.)
25-0075-001	RECREATION - NEP	SHELLFISH PROTECTION
25-0090-001	FISH & WILDLIFE - NEP	AQUATIC FISH & WILDLIFE (GEN.)
25-0091-001	RECREATION - NEP	SHELLFISH PROTECTION
25-0101-001	RECREATION - NEP	SHELLFISH PROTECTION
25-0105-001	FISH & WILDLIFE - NEP	AQUATIC FISH & WILDLIFE (GEN.)
25-0116-001	FISH & WILDLIFE - NEP	AQUATIC FISH & WILDLIFE (GEN.)
25-0128-001	FACILITY PLAN	AQUATIC FISH & WILDLIFE (GEN.)
25-0233-001	FISH & WILDLIFE - NEP	AQUATIC FISH & WILDLIFE (GEN.)

1982 NEEDS SURVEY

TABLE 10

NEW HAMPSHIRE

PART A

ESTIMATE OF MARINE CSO CONTROL NEEDS

AUTHORITY / NUMBER	FACILITY NAME	CITY NAME	---- COMBINED SEWER ---- AREA (AC.)	POPULATION	------ RECEIVING WATER ------ TYPE	NAME	NEEDS ($ 1000)
33-0076-001	EXETER BOARD OF SELE	EXETER	500	9,080	EST/BAY	SQUAMSCOTT RIVER	12,512
33-0083-001	PORTSMOUTH CITY OF	PORTSMOUTH	1,389	16,000	EST/BAY	PISCATAQUA RIVER	28,883
33-0094-001	SOMERSWORTH CITY OF	SOMERSWORTH	1,150	9,000	EST/BAY	SALMON FALLS RIVER	21,211
STATE TOTALS			3,039	34,080			62,606

PART B DESIGNATED RECEIVING WATER USE & BASIS OF NEEDS ESTIMATE

AUTHORITY/FACILITY NUMBER	BASIS OF ESTIMATE	LIMITING GENERIC USE
33-0076-001	RECREATION - NEP	SHELLFISH PROTECTION
33-0083-001	RECREATION - NEP	SHELLFISH PROTECTION
33-0094-001	RECREATION - NEP	SHELLFISH PROTECTION

1982 NEEDS SURVEY

TABLE 11

PART A

NEW JERSEY

ESTIMATE OF MARINE CSO CONTROL NEEDS

AUTHORITY / FACILITY NUMBER	NAME	CITY NAME	---- COMBINED SEWER ---- AREA (AC.)	POPULATION	------ RECEIVING WATER ------ TYPE	NAME	NEEDS ($ 1000)
34-1005-001	BERGEN UTILITY AUTHO	LITTLE FERRY	20,551	106,467	EST/BAY	HACKENSACK RIVER	350,871
34-1049-001	JERSEY CITY SA-WEST	JERSEY CITY	6,582	23,532	EST/BAY	NEWARK BAY	101,516
34-1062-001	PASSAIC VALLEY SEW	NEWARK	25,781	299,615	EST/BAY	UPPER NEW YORK BAY	397,623
34-1090-001	RAHWAY VALLEY SEW AU	RAHWAY	415	31,000	EST/BAY	ARTHUR KILL	6,401
34-1133-001	D P WKS CITY BAYONNE	BAYONNE	2,500	72,000	EST/BAY	KILL VAN KULL	38,558
34-1158-001	CARTERET BORO OF	CARTERET	1,682	23,000	EST/BAY	ARTHUR KILL	53,888
34-1168-002	CLIFFSIDE PARK BORO	CLIFFSIDE PARK	405	14,578	EST/BAY	HUDSON RIVER	6,246
34-1185-001	E NEWARK BORO OF	EAST NEWARK	59	1,922	EST/BAY	NEW YORK BAY	910
34-1187-001	EDGEWATER BORO OF	EDGEWATER	618	5,551	EST/BAY	HUDSON RIVER	9,532
34-1190-001	ELIZABETH CITY OF	ELIZABETH	4,118	106,200	EST/BAY	ELIZABETH RIVER	63,513
34-1222-001	GUTTENBERG TOWN OF	GUTTENBERG	104	7,340	EST/BAY	HUDSON RIVER	1,604
34-1235-001	HARRISON TOWN OF	HARRISON	1,046	11,079	EST/BAY	NEW YORK BAY	16,133
34-1245-001	HOBOKEN CITY	HOBOKEN	400	83,120	EST/BAY	HUDSON RIVER	6,169
34-1255-002	TOWN OF KEARNY	SOUTH KEARNY	4,476	19,000	EST/BAY	HACKENSACK RIVER	143,376
34-1266-001	LINDEN CITY OF	LINDEN	945	37,836	EST/BAY	ARTHUR KILL	14,577
34-1316-002	NEWARK CITY OF	NEWARK	14,440	381,930	EST/BAY	NEW YORK BAY	222,712
34-1324-001	NORTH BERGEN TWP	NORTH BERGEN	3,114	5,017	EST/BAY	HACKENSACK RIVER	48,028
34-1324-002	NORTH BERGEN TWP	NORTH BERGEN	19	2,360	EST/BAY	HACKENSACK RIVER	299
34-1324-003	NORTH BERGEN TWP	GUTTENBERG	175	18,551	EST/BAY	HUDSON RIVER	5,606
34-1356-001	PERTH AMBOY CITY OF	PERTH AMBOY	2,722	40,000	EST/BAY	RARITAN RIVER	41,982
34-1425-001	UNION CITY SA	UNION	712	6,953	EST/BAY	HUDSON RIVER	10,981
34-1447-001	WEEHAWKEN TWP	WEEHAWKEN	595	32,983	EST/BAY	HUDSON RIVER	9,172
34-1453-001	WEST NY MUN STP	WEST NEW YORK	792	39,194	EST/BAY	HUDSON RIVER	12,215
34-1474-001	JERSEY CITY SA-EAST	JERSEY CITY	8,960	223,532	EST/BAY	HUDSON RIVER	138,193
34-2317-001	NEW BRUNSWICK CITY	NEW BRUNSWICK	202	41,442	EST/BAY	LOWER RARITAN RIVER	6,471
STATE TOTALS			101,413	1,634,202			1,706,576

PART B DESIGNATED RECEIVING WATER USE & BASIS OF NEEDS ESTIMATE

AUTHORITY/FACILITY NUMBER	BASIS OF ESTIMATE	LIMITING GENERIC USE
34-1005-001	RECREATION - NEP	SHELLFISH PROTECTION
34-1049-001	FISH & WILDLIFE - NEP	AQUATIC FISH & WILDLIFE (GEN.)
34-1082-001	FISH & WILDLIFE - NEP	AQUATIC FISH & WILDLIFE (GEN.)
34-1090-001	FISH & WILDLIFE - NEP	AQUATIC FISH & WILDLIFE (GEN.)
34-1133-001	FISH & WILDLIFE - NEP	AQUATIC FISH & WILDLIFE (GEN.)
34-1158-001	RECREATION - NEP	FULL BODY CONTACT (REC.)
34-1168-002	FISH & WILDLIFE - NEP	AQUATIC FISH & WILDLIFE (GEN.)
34-1185-001	FISH & WILDLIFE - NEP	AQUATIC FISH & WILDLIFE (GEN.)
34-1187-001	FISH & WILDLIFE - NEP	AQUATIC FISH & WILDLIFE (GEN.)
34-1190-001	FISH & WILDLIFE - NEP	AQUATIC FISH & WILDLIFE (GEN.)
34-1222-001	FISH & WILDLIFE - NEP	AQUATIC FISH & WILDLIFE (GEN.)
34-1235-001	FISH & WILDLIFE - NEP	AQUATIC FISH & WILDLIFE (GEN.)
34-1245-001	FISH & WILDLIFE - NEP	AQUATIC FISH & WILDLIFE (GEN.)
34-1255-002	RECREATION - NEP	SHELLFISH PROTECTION
34-1266-001	FISH & WILDLIFE - NEP	AQUATIC FISH & WILDLIFE (GEN.)
34-1316-002	FISH & WILDLIFE - NEP	AQUATIC FISH & WILDLIFE (GEN.)
34-1324-001	FISH & WILDLIFE - NEP	AQUATIC FISH & WILDLIFE (GEN.)
34-1324-002	FISH & WILDLIFE - NEP	AQUATIC FISH & WILDLIFE (GEN.)
34-1324-003	RECREATION - NEP	FULL BODY CONTACT (REC.)
34-1356-001	FISH & WILDLIFE - NEP	AQUATIC FISH & WILDLIFE (GEN.)
34-1425-001	FISH & WILDLIFE - NEP	AQUATIC FISH & WILDLIFE (GEN.)
34-1447-001	FISH & WILDLIFE - NEP	AQUATIC FISH & WILDLIFE (GEN.)
34-1453-001	FISH & WILDLIFE - NEP	AQUATIC FISH & WILDLIFE (GEN.)
34-1474-001	FISH & WILDLIFE - NEP	AQUATIC FISH & WILDLIFE (GEN.)
34-2317-001	RECREATION - NEP	SHELLFISH PROTECTION

1982 NEEDS SURVEY

TABLE 12

NEW YORK

PART A

ESTIMATE OF MARINE CSO CONTROL NEEDS

AUTHORITY NUMBER	/ FACILITY NAME	CITY NAME	---- COMBINED SEWER ---- AREA (AC.)	POPULATION	------ RECEIVING WATER ------ TYPE	NAME	NEEDS ($ 1000)
36-2001-001	BUREAU OF WPC	NEW YORK	18,719	1,037,900	EST/BAY	UPPER EAST RIVER	249,189
36-2001-002	BUREAU OF WPC	HUNTS POINT	17,800	620,500	EST/BAY	UPPER EAST RIVER	564,965
36-2001-003	BUREAU OF WPC DPT WR	ASTORIA	16,400	691,500	EST/BAY	UPPER EAST RIVER	520,530
36-2001-004	BUREAU OF WPC	NEW YORK	15,980	320,595	EST/BAY	EAST RIVER	507,199
36-2001-005	BUREAU OF WPC	NEW YORK	23,432	465,203	EST/BAY	JAMAICA BAY	743,723
36-2001-006	BUREAU OF WPC DPT WR	BROOKLYN	5,700	275,500	EST/BAY	HENDRIX CREEK	180,916
36-2001-007	BUREAU OF WPC DPT WR	BROOKLYN	3,500	2,400,300	EST/BAY	EAST RIVER	46,592
36-2001-008	BUREAU OF WPC DPT WR	STATEN ISLAND	15,000	190,800	EST/BAY	EAST RIVER	476,094
36-2001-009	BUREAU OF WPC DPT WR	BROOKLYN	14,200	621,000	EST/BAY	ROCKAWAY INLET	450,703
36-2001-010	BUREAU OF WPC DPT WR	BROOKLYN	12,640	664,600	EST/BAY	UPPER BAY	168,265
36-2001-011	BUREAU OF WPC DPT WR	QUEENS	16,300	955,200	EST/BAY	EAST RIVER	216,987
36-2001-012	BUREAU OF WPC	NEW YORK	6,015	449,900	EST/BAY	HUDSON RIVER	80,072
36-2001-013	BUREAU OF WPC	NEW YORK	21,943	149,764	EST/BAY	LOWER BAY	696,462
36-2001-014	BUREAU OF WPC	NEW YORK	5,500	110,200	EST/BAY	JAMAICA BAY	174,568
36-3002-001	BEACON	BEACON	3,400	11,200	EST/BAY	HUDSON RIVER	27,847
36-3019-001	POUGHKEEPSIE CITY OF	POUGHKEEPSIE	2,300	49,139	EST/BAY	HUDSON RIVER	41,979
36-3056-001	NEWBURGH CITY OF	NEWBURG	2,140	28,273	EST/BAY	HUDSON RIVER	51,620
36-3117-001	YONKERS DPW	YONKERS	2,300	184,812	EST/BAY	HUDSON RIVER	73,001
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STATE TOTALS			203,269	9,226,386			5,270,712

PART B DESIGNATED RECEIVING WATER USE & BASIS OF NEEDS ESTIMATE

AUTHORITY/FACILITY NUMBER	BASIS OF ESTIMATE	LIMITING GENERIC USE
36-2001-001	FISH & WILDLIFE - NEP	AQUATIC FISH & WILDLIFE (GEN.)
36-2001-002	RECREATION - NEP	RECREATION (GEN.)
36-2001-003	RECREATION - NEP	RECREATION (GEN.)
36-2001-004	RECREATION - NEP	RECREATION (GEN.)
36-2001-005	RECREATION - NEP	RECREATION (GEN.)
36-2001-006	RECREATION - NEP	RECREATION (GEN.)
36-2001-007	FISH & WILDLIFE - NEP	AQUATIC FISH & WILDLIFE (GEN.)
36-2001-008	RECREATION - NEP	RECREATION (GEN.)
36-2001-009	RECREATION - NEP	RECREATION (GEN.)
36-2001-010	FISH & WILDLIFE - NEP	AQUATIC FISH & WILDLIFE (GEN.)
36-2001-011	FISH & WILDLIFE - NEP	AQUATIC FISH & WILDLIFE (GEN.)
36-2001-012	FISH & WILDLIFE - NEP	AQUATIC FISH & WILDLIFE (GEN.)
36-2001-013	RECREATION - NEP	RECREATION (GEN.)
36-2001-014	RECREATION - NEP	RECREATION (GEN.)
36-3002-001	PUBLIC HEALTH - NEP	PARTIAL BODY CONTACT (REC.)
36-3019-001	PUBLIC HEALTH - NEP	RAW DOMESTIC WATER SUPPLY
36-3056-001	RECREATION - NEP	FULL BODY CONTACT (REC.)
36-3117-001	RECREATION - NEP	RECREATION (GEN.)

1982 NEEDS SURVEY

TABLE 13

OREGON

PART A

ESTIMATE OF MARINE CSO CONTROL NEEDS

AUTHORITY / NUMBER	FACILITY NAME	CITY NAME	COMBINED SEWER AREA (AC.)	COMBINED SEWER POPULATION	RECEIVING WATER TYPE	RECEIVING WATER NAME	NEEDS ($ 1000)
41-0055-001	COOS BAY CITY OF	COOS BAY CITY	410	3,553	EST/BAY	COOS BAY	7,999
41-0074-001	NORTH BEND CITY OF	NORTH BEND	910	2,243	EST/BAY	COOS BAY	8,952
STATE TOTALS			1,320	5,796			16,951

PART B DESIGNATED RECEIVING WATER USE & BASIS OF NEEDS ESTIMATE

AUTHORITY/FACILITY NUMBER	BASIS OF ESTIMATE	LIMITING GENERIC USE
41-0055-001	RECREATION - NEP	FULL BODY CONTACT (REC.)
41-0074-001	SEWER SEPARATION - NEP	FULL BODY CONTACT (REC.)

1982 NEEDS SURVEY

TABLE 14

PENNSYLVANIA

PART A

ESTIMATE OF MARINE CSO CONTROL NEEDS

AUTHORITY / NUMBER	FACILITY NAME	CITY NAME	COMBINED SEWER AREA (AC.)	COMBINED SEWER POPULATION	RECEIVING WATER TYPE	RECEIVING WATER NAME	NEEDS ($ 1000)
42-0082-001	DELCORA	CHESTER	1,913	35,926	EST/BAY	DELAWARE RIV ESTUARY	25,392
42-0094-001	PHILADELPHIA WPC DIV	PHILADELPHIA	45,600	1,926,176	EST/BAY	DELAWARE RIVER	778,623
STATE TOTALS			47,513	1,962,102			804,015

PART B DESIGNATED RECEIVING WATER USE & BASIS OF NEEDS ESTIMATE

AUTHORITY/FACILITY NUMBER	BASIS OF ESTIMATE	LIMITING GENERIC USE
42-0082-001	FISH & WILDLIFE - NEP	WARM WATER FISHERY
42-0094-001	FISH & WILDLIFE - NEP	WARM WATER FISHERY

1982 NEEDS SURVEY

TABLE 15

PART A

RHODE ISLAND

ESTIMATE OF MARINE CSO CONTROL NEEDS

AUTHORITY / NUMBER	FACILITY NAME	CITY NAME	COMBINED SEWER AREA (AC.)	COMBINED SEWER POPULATION	RECEIVING WATER TYPE	RECEIVING WATER NAME	NEEDS ($ 1000)
44-0015-001	NEWPORT CITY OF	NEWPORT	0	30,000	EST/BAY	NEWPORT HARBOUR	13,200
44-0020-001	PAWTUCKET	PAWTUCKET	3,291	77,000	EST/BAY	BLACKSTONE R	119,000
44-0022-001	NARRAGAN. BAY WQMDC	PROVIDENCE	6,253	113,550	EST/BAY	PROVIDENCE R	147,000
STATE TOTALS			9,544	220,550			279,200

PART B DESIGNATED RECEIVING WATER USE & BASIS OF NEEDS ESTIMATE

AUTHORITY/FACILITY NUMBER	BASIS OF ESTIMATE	LIMITING GENERIC USE
44-0015-001	FACILITY PLAN	FULL BODY CONTACT (REC.)
44-0020-001	FACILITY PLAN	SHELLFISH PROTECTION
44-0022-001	FACILITY PLAN	SHELLFISH PROTECTION

1982 NEEDS SURVEY

TABLE 16

PART A

VIRGINIA

ESTIMATE OF MARINE CSO CONTROL NEEDS

AUTHORITY / NUMBER	FACILITY NAME	CITY NAME	COMBINED SEWER AREA (AC.)	COMBINED SEWER POPULATION	RECEIVING WATER TYPE	RECEIVING WATER NAME	NEEDS ($ 1000)
51-0161-001	RICHMOND STP	RICHMOND CITY	10,361	352,775	EST/BAY	JAMES RIVER	166,648
51-0302-001	NEWPORT NEWS BH C S	NEWPORT NEWS	268	51,600	EST/BAY	JAMES RIVER	27,774
51-0317-001	ALEXANDRIA CITY OF	ALEXANDRIA	735	13,440	EST/BAY	POTOMAC-RIVER	14,140
STATE TOTALS			11,364	417,815			208,562

PART B DESIGNATED RECEIVING WATER USE & BASIS OF NEEDS ESTIMATE

AUTHORITY/FACILITY NUMBER	BASIS OF ESTIMATE	LIMITING GENERIC USE
51-0161-001	FISH & WILDLIFE - NEP	AQUATIC FISH & WILDLIFE (GEN.)
51-0302-001	RECREATION - NEP	SHELLFISH PROTECTION
51-0317-001	RECREATION - NEP	SHELLFISH PROTECTION

1982 NEEDS SURVEY

TABLE 17

WASHINGTON

PART A ESTIMATE OF MARINE CSO CONTROL NEEDS

AUTHORITY / NUMBER	FACILITY NAME	CITY NAME	COMBINED SEWER AREA (AC.)	COMBINED SEWER POPULATION	RECEIVING WATER TYPE	RECEIVING WATER NAME	NEEDS ($ 1000)
53-0030-001	ANACORTES DEPT P. W.	ANACORTES	122	918	EST/BAY	GUEMES CHANNEL	2,289
53-0080-001	BELLINGHAM, CITY OF	BELLINGHAM	1,401	3,998	EST/BAY	BELLINGHAM BAY	15,599
53-0100-001	BLAINE WATER & SEWER	BLAINE WA 98230	300	614	EST/BAY	DRAYTON HARBOR	3,200
53-0115-001	BREMERTON, CITY OF	BREMERTON	1,932	9,616	EST/BAY	PUGET SOUND	33,027
53-0365-001	EDMUNDS PWD	EDMUNDS	2,400	21,600	EST/BAY	PUGET SOUND	49,381
53-0560-001	HOQUIAM, CITY OF	HOQUIAM	333	1,000	EST/BAY	CHEHALIS RIVER	3,874
53-0745-001	MARYSVILLE, CITY OF	MARYSVILLE	320	1,300	EST/BAY	EBEY SLOUGH	6,584
53-0776-002	METRO-SEATTLE	SEATTLE	19,000	195,000	EST/BAY	PUGET SOUND ET. AL.	142,000
53-0920-001	OLYMPIA, CITY OF	OLYMPIA	1,280	6,500	EST/BAY	BUDD INLET	25,759
53-0990-001	PORT ANGELES,CITY OF	PT ANGELES	289	6,116	EST/BAY	ST OF JUAN DE FUCA	8,002
STATE TOTALS			27,377	246,862			289,715

PART B DESIGNATED RECEIVING WATER USE & BASIS OF NEEDS ESTIMATE

AUTHORITY/FACILITY NUMBER	BASIS OF ESTIMATE	LIMITING GENERIC USE
53-0030-001	RECREATION - NEP	SHELLFISH PROTECTION
53-0080-001	SEWER SEPARATION - NEP	SHELLFISH PROTECTION
53-0100-001	SEWER SEPARATION - NEP	SHELLFISH PROTECTION
53-0115-001	RECREATION - NEP	SHELLFISH PROTECTION
53-0365-001	RECREATION - NEP	SHELLFISH PROTECTION
53-0560-001	SEWER SEPARATION - NEP	SHELLFISH PROTECTION
53-0745-001	RECREATION - NEP	SHELLFISH PROTECTION
53-0776-002	FACILITY PLAN	SHELLFISH PROTECTION
53-0920-001	RECREATION - NEP	SHELLFISH PROTECTION
53-0990-001	RECREATION - NEP	SHELLFISH PROTECTION

APPENDIX B

DEVELOPMENT OF 1982 CSO NEEDS ESTIMATE

A. Introduction

A detailed discussion of the procedure, assumptions, and methods used to develop Category V needs estimates is reported in Appendix A of the 1982 Needs Survey report. This section summarizes the material presented in the main report including a discussion of the technologies considered in development of the Category V needs estimates.

If an adequate facility plan estimate was available for a given facility, this estimate was used as the basis for establishing Category V needs. Otherwise, Category V needs were established based on one of four control levels. The control level chosen was a function of the designated receiving water use for the receiving segment. The rare exception occurred when the estimated cost of sewer separation was less than the cost of the selected control level. In this case, the Category V needs for that facility were based on the cost of sewer separation. Both the control levels and the associated water use objectives are:

Level of Control	Generic Stream Use
Aesthetics	Navigation Agricultural Water Supply Industrial Water Supply
Public Health	Domestic Water Supply Partial Body Contact Recreation Noncontact Recreation
Fish and Wildlife	Warmwater Fisheries Coldwater Fisheries General Fish and Wildlife
Recreation	General Recreation Full Body Contact Recreation Shellfish Protection

The pollutant removal objectives and technologies used to develop Category V cost estimates for the four levels of control are described as follows:

1. Aesthetics. The objectives of the Aesthetics level of control are to remove floatables, coarse debris, and 40 percent of the annual BOD and SS load generated by a combined sewer system. The Aesthetics level is considered the minimum level of control.

   Aesthetics level cost estimates are based on a least cost (optimum) mix of combined sewer flushing and a storage/treatment system utilizing physical/chemical treatment.

2. Public Health. The objective of the Public Health level of control is to remove 90 percent of the annual fecal coliform load generated by a combined sewer system.

   Category V Public Health level cost estimates are based on an optimum combination of CSO storage with pumping and chlorination of the discharge sized to capture and kill 90 percent of the fecal coliform bacteria generated by the combined sewer system. This level of control will also result in significant reductions in annual BOD and SS loads due to the sedimentation achieved in the storage facility.

3. Fish and Wildlife. The objective of the Fish and Wildlife level of control is to achieve and maintain a fishery in the receiving water. This level of control is based on removal of BOD and SS which may vary from 40 to 90 percent depending on the dry-weather pollutant contribution as well as background receiving water quality.

   The needs estimate is based on a mix of CSO control technologies as determined by an automated optimization procedure which accounts for site-specific conditions. Control technologies considered include streetsweeping, combined sewer flushing, and storage/treatment systems. The treatment options include five different levels of physical/chemical treatment as well as four different alternatives for modification, expansion, and upgrade of existing biological wastewater treatment plants. The optimization procedure selects the least costly combination of the above technologies that will achieve the desired degree of CSO pollution control.

4. Recreation. The objective of the Recreation level of control is to provide receiving water quality suitable for full body contact recreation as well as for a viable fishery. In addition to the pollutants removed for Fish and Wildlife, the Recreation level will provide for a 95 percent reduction in fecal coliform bacteria generated by the combined sewer system.

   Category V Recreation level cost estimates are based on an optimum combination of storage and treatment sized to capture and kill 95 percent of the annual CSO fecal coliform load. The treatment option used is the same as the treatment option selected for Fish and Wildlife. This ensures that BOD and SS removals required for fish and wildlife protection will also be obtained at the Recreation level.

B. CSO Control Technologies

As discussed briefly above, a wide range of CSO control technologies are considered in estimating Category V needs. These technologies can be classified as Best Management Practices (BMP) or structural controls. BMPs are characterized by low capital costs and high operation and maintenance costs. The BMPs considered in the 1982 Needs Survey include streetsweeping and combined sewer flushing. In both cases pollutants are removed from the combined sewer watershed and are, therefore, unavailable for washoff to the receiving water during rainfall/runoff events.

The structural CSO controls considered are wet-weather treatment systems which are required to collect the CSO at individual overflow points and to transport the intercepted flow to central storage facilities. Cost estimates for CSO storage include an allowance for aeration and for facilitating cleanout during dry weather.

Treatment options considered in the Category V needs estimating procedure include construction of new physical/chemical treatment facilities designed to treat CSO only, and modification, expansion, and/or upgrade of existing dry-weather biological treatment facilities designed to treat both dry-weather flow and CSO. A total of nine different treatment levels are considered. The first five levels are physical/chemical treatment systems and the remaining four levels are various dry-weather treatment system modifications. A summary of CSO control technologies considered in development of Category V needs estimates by level of control is summarized in Table B.

Grant applicants for the separate marine CSO correction fund are not limited to the CSO control technologies evaluated in the 1982 Needs Survey estimation of CSO control needs. A detailed study of site specific factors may recommend more appropriate and cost-effective technologies.

Table B
SUMMARY OF CSO CONTROL TECHNOLOGIES USED TO CALCULATE NEEDS

Level of Control	CSO Control Technology					
	Streetsweeping	Sewer Flushing	Storage	Treatment[1]	Wet-Weather Interceptors	Sewer Separation
Aesthetics		X	X	X	X	
Public Health			X	X	X	
Fish and Wildlife	X	X	X	X	X	
Recreation			X	X	X	
Sewer Separation						X

[1] Treatment options include construction of new physical/chemical treatment facilities designed to treat CSO only and modification to existing dry-weather biological facilities designed to treat both dry weather and CSO. Physical/chemical treatment processes considered include microscreening, flocculation-sedimentation, dissolved air flotation, swirl concentrators, and high rate filtration. High rate filtration, the sewer flushing equipment, and the swirl concentrator are newly emerging CSO control technologies.

Senator GARN. Does this cost estimate represent total costs or the Federal share?

Mr. EIDSNESS. I believe that is total cost, sir. It reflects neither the eligibility limitations of the 1981 amendments nor the Federal funding potential.

Senator GARN. As I understand it, your cost data relies, to a large extent, on accepting a level of pollution control desired by the localities.

Do you believe that it would be desirable to establish a level of control above which the Federal Government would not provide funds—for instance, the Fish and Wildlife level?

Mr. EIDSNESS. Yes, sir. I believe that would be appropriate to consider that. However, we do not have data to allow us to state that any particular use level would more effectively use available funds. Achieving higher levels is generally more expensive, but the value of resulting recreation and economic benefits is also greater. The Clean Water Act sets shellfishing and swimming as the uses to be protected. That is the recreation level in the report.

Senator GARN. If such a funding standard was established, what would be the potential program savings?

Mr. EIDSNESS. We have looked at that, and if you will give me a moment, I will try to find that.

I think we would see a reduction in the need from approximately $11.6 billion to $7.9 billion, for a 32-percent reduction.

Senator GARN. Page 2 of your report list three criteria for establishing project priorities. When will these criteria be published?

Mr. EIDSNESS. These criteria will be published at the time that the Administrator signs the final construction grant regulation. It is simply a matter of when Mr. Ruckelshaus gets confirmed and has an opportunity to review this final regulation. But it is ready to go from our point of view.

Senator GARN. Since this amount of money available for CSO will be only a small fraction of the identified needs, would it make sense to complete segments of a small number of projects each year rather than spread the money over a much larger number of projects?

Mr. EIDSNESS. Yes. The priority criteria for segmenting projects will result in a small number of projects, probably mostly segments being funded.

Senator GARN. Could you prepare a list of those project segments that could be made operational with under $30 million in Federal funds and prioritize this list using the criteria contained on page 2 of your report?

Mr. EIDSNESS. Yes. sir. We will prepare a list. We won't be able to do so until we receive the applications. The deadline for that is September 30 of this year.

Senator GARN. You could give us the list, though.

Mr. EIDSNESS. Yes, sir. We will provide you the list once we receive the information. We are not sure who is out there that is really ready to go. But once that is done, we will be able to provide you a list.

[CLERK'S NOTE: When EPA provides the information, it will be kept on file with the committee records.]

CONSTRUCTION GRANT PROGRAM

Senator GARN. This year you are requesting a total of $2.4 billion for your construction grant program. Your justification indicates that these funds will allow EPA to award a total of 597 grants, resulting in 4,764 active projects at the end of the year.

How does this level of activity compare to your estimates for fiscal year 1983?

Mr. EIDSNESS. The level of activity planned for 1983 includes 761 new grants and 6,446 active projects at the end of the year. Although the budget request for both 1983 and 1984 is $2.4 billion, the higher number of new grants in 1983 is possible due to a larger carryover of previous year funds than is projected for 1984. The reduction in active projects from 1983 to 1984 results from a higher level of completions than new grants.

Senator GARN. How many projects do you expect to be completed and closed out during fiscal year 1983 and how many during 1984?

Mr. EIDSNESS. We estimate that 1,136 projects will be physically completed in 1983 and 1,241 in 1984. We estimate 889 projects will be closed out in 1983 and 1,500 projects will be closed out in 1984.

Senator GARN. How many of these completed projects will receive a final inspection from EPA or the Corps of Engineers in each of these years?

Mr. EIDSNESS. All completed projects will receive a final inspection by the EPA, the Corps of Engineers, or the States in 1983 and 1984. The Corps of Engineers is expected to conduct 785 final inspections in 1983 and 682 in 1984. Most of the remainder will be conducted by the States.

Senator GARN. What water quality monitoring activities does EPA intend to undertake during fiscal year 1983 and fiscal year 1984 in order to determine the extent to which the completed plants are operating up to their design standards?

Mr. EIDSNESS. Two approaches would be used to assure municipal wastewater treatment plants meet their design standards. Onsite compliance inspections will be conducted at more than 1,000 plants in both 1983 and 1984. These inspections are designed to verify the reliability of plant self-monitoring data to assure that these reports reflect actual operating conditions.

Many of the inspections will include sampling and analysis of the plant discharges. EPA will also conduct diagnostic inspections of approximately 150 additional facilities in 1983 to see if design standards are being met; and, if not, to identify the problems limiting performance. When problems are identified, the plants are ordered to take corrective action on their own.

Senator GARN. Will EPA review the data from the engineering firms that are required to oversee a project's first year of operation in order to assure that the plants are meeting their design and permit specifications?

You know what I am getting at. There are just a lot of these construction grant programs, although we favor them, that have simply not performed the way they were intended to.

CERTIFICATE OF PERFORMANCE

Mr. EIDSNESS. Well, as you are aware, the answer is "Yes" to the first part of your question. I can, perhaps, respond to your comment, your fundamental concern.

Under section 204(d) of the Clean Water Act, the EPA will require the grantees to submit a certificate of performance to EPA regional offices at the end of the project's first year of operation. The grantee must attach to the certificate a record of discharge quality that covers this 1-year performance testing period.

I might also add, Senator, that I think perhaps the heart of the problem that you mention of many programs funded and constructed that don't seem to operate, lies in two areas we are addressing vigorously.

One is the area of whether or not the local government has really dedicated adequate finances to operate the treatment plant properly and whether that demonstration is made a precondition of EPA awarding a construction grant to that municipality.

We have awaiting the new Administrator a proposed policy on financial capability which, in effect, would require, along with the construction grant regulation, that municipalities have to substantively demonstrate they can construct, operate, and maintain sewage treatment works. In the past, all EPA has asked for is the letter of certification saying, "We so certify." This policy would go considerably beyond that.

In addition to that, we feel the EPA and States can do a better job of assuring enforcement against municipalities who violate their permit conditions. One approach which is being studied—and we will propose this to the new Administrator, once confirmed—is that for municipalities that fail to meet their permit limitations based on their self-monitoring reports, which we and the States review, and such a failure to meet those limitations is a consequence of improper operation and maintenance, which we would determine by site diagnostic visits, we would require the municipality to take corrective action. Specifically, municipalities would be required to undertake an independent audit or certification that: One, they instituted a user charge system that they committed to do as a precondition to their Federal grant; that two, they are generating adequate revenues under that user charge system to assure the proper level of operation and maintenance they committed to; finally, these funds are being plowed back into the maintenance of these treatment works.

If any of these three pieces are missing, the EPA and States have adequate authority to require immediate action.

Senator GARN. Senator Leahy?

1983 WORKLOAD ANALYSIS—10-PERCENT INCREASE

Senator LEAHY. In the 1983 workload analysis, you stated:

> With a 10-percent increase in the available resources, we would be able to increase our non-core activities. Our inventory sources would be expanded to include all sources in nonattainment areas with the emission potential of 100 tons per year of any pollutant without controls. A decrease of 10 percent available resources will result in fully funding the core activities in proportion to reducing other activities. The core activities in the model are emergency episodes, maintaining CDS, new source programs, EPA-State coordination, and support of informal inquiries.

Is that what the 1983 workload analysis says?

Ms. BENNETT. I don't have it before me, Senator. I would have to confirm that for the record.

Senator LEAHY. Fine. I am reading it off the copy I got from EPA.

Mr. KINGHORN. It sounds generally accurate.

Senator LEAHY. Is a major pollution source one of 100 tons per year?

Ms. BENNETT. Senator, we have several——

Senator LEAHY. Of any pollutant without controls.

Ms. BENNETT. This is an area of some confusion. In the olden days, pre-1977 days, under the Clean Air Act, we had what we call class A sources——

Senator Leahy. Today, please. Sorry to interrupt. Let me just make sure I am understood. Today is a source in nonattainment areas with the emission potential of 100 tons per year of any pollutant without controls, to use your terminology; is that a major pollution source?

Ms. BENNETT. Yes.

Senator LEAHY. Thank you.

And are all of these major pollution sources part of your enforcement inventory?

Ms. BENNETT. Yes, Senator.

Senator LEAHY. All of them are?

Ms. BENNETT. Yes.

Senator LEAHY. So then the 10 percent you asked for or spoke of in the 1983 workload analysis, which you have not received, was not necessary.

Ms. BENNETT. Senator, without having those before me, it is difficult for me to respond.

Senator Leahy. You have before you the item that I talked about. Look at 3(d) on the top.

Having looked at that, did you get the 10-percent increase in the available resources?

Ms. BENNETT. Senator, when it refers to our inventory of sources in this context, since I don't have the paragraphs that came before, what inventory is that referring to? It is clearly not a caseload inventory. It couldn't be a source inventory either.

Senator LEAHY. I am using your language. You say increase in available resources. What do you mean? It is your document, not mine.

Ms. BENNETT. It is not mine personally.

Senator LEAHY. Let me ask you these questions for the record then.

First, did you get the 10-percent increase? If you did not get the 10-percent increase, are you able to cover all major pollution sources—this

100 tons per year—as described in EPA's language? And if not, why aren't you seeking it?

Mr. KINGHORN. Mr. Leahy, I have seen two or three pages of the study you have done. The study is composed of quotes from the workload model, which is generally a national program manager submission. There are also some quotes from documents which I have absolutely no idea about. As far as I can tell, they are not from the workload models. Attached to the workload models are often wish lists from a variety of people in the regions.

So she can probably respond to you for the record on this.

[The information follows:]

MAJOR AIR POLLUTION SOURCES

EPA assumed that with Federal support, States would resolve any instances of noncompliance by those sources which had an emissions potential without controls of at least 100 tons/year but which were not large enough to be classified as a major source. Section III.D. of the workload model meant that, with a 10-percent increase in available resources, EPA could have the resources to initiate Federal administrative or judicial actions against these smaller sources if States did not take the actions contemplated. As we had expected, States have taken the lead on many of these sources. We are continuously reexamining our needs in handling those sources that may not be adequately addressed by States under the Agency's September 20, 1982, enforcement policy for violating sources in nonattainment areas and will recommend adjustments as appropriate. Therefore, there has been no 10-percent increase over the 252 positions depicted in the workload model.

ENFORCEMENT OF MAJOR POLLUTANT LAWS

Senator LEAHY. That is why I asked the question for the record. The final question is, Do you have the resources to enforce our laws involving major pollutants?

Ms. BENNETT. Yes, Senator. As I began to explain earlier, what we used to call a class A source is this definition, the 100-ton-per-year potential uncontrolled source.

Senator LEAHY. You are able to enforce all of those?

Ms. BENNETT. Between ourselves and the State, yes. It is our responsibility to see that that is done.

Senator LEAHY. So all of them are now being enforced, today?

Ms. BENNETT. We have maximized efficiency——

Senator LEAHY. There is no such word as maximize. Let's not get into nouns and adverbs and everything mixed up. Let me ask you, are we, speaking between EPA and the States, are our environmental laws being enforced?

Ms. BENNETT. Yes, Senator.

Senator LEAHY. They are?

Ms. BENNETT. Yes.

Senator LEAHY. Without exception?

Ms. BENNETT. The ones that I am responsible for I can answer yes, sir.

Senator LEAHY. OK. Thank you.

Obviously we both want the same thing then. So that if we were to get any information otherwise, that information would be wrong.

Ms. BENNETT. To the best of my knowledge, Senator. I would certainly be interested in having such information.

Senator LEAHY. I am just asking.

Ms. BENNETT. To the best of my knowledge, yes, sir.

Senator LEAHY. You do not need any more personnel to enforce the provisions, the present provisions of the Clean Air Act?

Ms. BENNETT. Senator, when you asked earlier, I wanted to add this footnote. Based on the knowledge we have had of our program to date, we believe that our resources are adequate. On the other hand, it is important to realize that the Clean Air Act does have a cyclical nature. Due to the deadlines in the act, and the way the State implementation plan process operates, and the new sources. Coming in and out of compliance as a result not only of what happens in the field but also the operation of the act itself, and because of the fact we just passed a very significant deadline in the Clean Air Act, the December 31, 1982, deadline, it is possible that we would find a change in workload.

In preparing the 1983 budget request and the 1984 budget request, we had to make certain assumptions about what would happen as a result of the passage of that deadline. We also had to make certain assumptions about just the functioning of the act and the States under it. It is conceivable that because of unanticipated events, because of a result of that deadline passing without changing the amendments, that our workload could perhaps change.

Senator LEAHY. That is not my question. My question is, can we tell the American people that they can rest secure that the Clean Air Act is being enforced throughout the Nation today?

Ms. BENNETT. Based on present knowledge, yes. But our understanding is an evolving one, as the event is an evolving one. That assumption could change in the future.

Senator LEAHY. But today, this afternoon, so far as you know, the Clean Air Act is being enforced throughout the land?

Ms. BENNETT. Largely, yes. There are obviously areas where we feel we could do better. But the extent to which that is a resource question, it cannot be entirely known.

I have just recently completed a tour of about 6 or 7 of our 10 regional offices. There are clearly places where we have need for increased management attention. But I am confident that the program is on a very good track, that in fact we have identified——

Senator LEAHY. You are enforcing the law?

Ms. BENNETT. Yes, sir.

Senator LEAHY. We are enforcing the law?

Ms. BENNETT. Yes, sir.

Senator LEAHY. Nobody could take issue with that.

Ms. BENNETT. No, Senator.

Senator LEAHY. You are aware of the fact there may be a couple of malcontents out there who will take issue with that.

Ms. BENNETT. Indeed so, yes, sir.

CHEMICAL REVIEW OF AGRICULTURAL PESTICIDES

Senator LEAHY. In 1978, we required that all existing chemicals be reviewed to protect against sickness and death in their use as agricultural pesticides. Last year I asked EPA a followup question: What level of additional resources would be necessary to adequately review these chemicals in 5 years? EPA responded to complete our reviews within 5 years would require almost a doubling of the resources shown in the fiscal year 1983 budget for the next 5 years.

According to the information I now have, it seems it is going to take 8 more years to finish this job.

Why not try to get done in 5 years? Why not request the resources to do it in 5 years?

Mr. JOHNSON. It is essentially——

Senator LEAHY. How many people are here, incidentally, from EPA today?

[Show of hands.]

Mr. JOHNSON. It is essentially a question of the number of resources that one chooses to put in the program. If one doubles the size of the program, one halves the time. As a result of the many difficult budget choices that had to be made in preparing the fiscal 1984 budget, this program was placed in the context with other programs at the level which has been submitted.

Senator LEAHY. We are talking about 16 years from the time Congress required the review to getting it done; is that about right?

Mr. JOHNSON. Yes, sir; that is correct.

Senator LEAHY. Last year you estimated 30 chemicals would be reviewed. You did about 25. Is there a slippage in here?

Mr. JOHNSON. No. I think last year, sir, we proposed doing less than 35 and actually did more than we committed in the budget. I could find the numbers now, if you would like, or we can supply those for the record.

[The information follows:]

REGISTRATION STANDARDS PROPOSED AND COMPLETED IN FISCAL YEAR 1982

In fiscal year 1983 budget, we estimated that a total of 14 registration standards would be completed in fiscal year 1982. In fact, a total of 18 were completed by the end of fiscal year 1982.

Senator LEAHY. Is 16 years acceptable to you to take to complete the review?

Mr. JOHNSON. I think that given the approach we are taking, it is not an unreasonable time to do the review. We are putting these in priority order and looking at those chemicals to which people are most exposed first: those chemicals that are used highly on food crops, those chemicals that are used in large volumes and in ways that result in environmental exposure.

To look at this in a different context——

Senator LEAHY. Let's look at that context. How long will it take to get those high-priority ones done?

Mr. JOHNSON. We expect we will have about 70 percent of the total production of pesticides in the United States covered by standards that are and will be completed by the end of 1984.

Senator LEAHY. Does that include all of the high-priority ones?

Mr. JOHNSON. Yes, it does.

Senator LEAHY. Thank you, Mr. Chairman.

SUBMITTED QUESTIONS

Senator GARN. Dr. Verstandig, there are a lot of additional questions that we will want to ask. I think because of the nature of the situation where the new Administrator has not yet been confirmed and a lot of the answers to some of those questions may change, rather than continuing to keep you here longer, we will submit an additional 78 pages to you for your response in writing. Senator Leahy wants to submit additional questions. I assume there will be questions from others as well.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR GARN

MOBILE SOURCE - AIR POLLUTION

Question: This year you are requesting a total of 197 permanent workyears and $17.8 million for your Mobile Source Compliance and Enforcement activities. You indicate that your efforts will be aimed at providing States with the basis for developing and adopting their own tampering and fuel switching programs.

What types of assistance and guidance is EPA currently providing to the States and how will your fiscal year 1984 program differ?

Answer: EPA personnel have met with State and local personnel to explain the program and to provide technical guidance. We have provided model laws, results of tampering surveys, and public awareness materials. Some States and localities are carrying out inspections under contracts with EPA. For the future, we expect to be able to quantify the emissions reductions attainable through anti-tampering and anti-fuel switching programs, and to provide for specific emission reduction credits in the SIP. In this way, States would be able to show a direct emission reduction as a result of their activities. We expect that the emission reduction credit, coupled with continued EPA assistance, will result in the adoption and implementation of additional control programs.

Question: To what extent have States already adopted their own tampering and fuel switching programs?

Answer: Currently, 42 States have adopted statutes or regulations which prohibit tampering with the pollution control equipment on motor vehicles. The specific activities during fiscal year 1982 are listed below:

State/Local Government Activity In Fiscal Year 1982

California:	Tampering and fuel inspections at dealerships and fleets; tampering enforcement.
Maryland:	Public awareness activities; tampering and fuels inspections at fleets, repair shops and retail gas stations.
Massachusetts:	Catalyst and inlet restrictor inspection as part of statewide I/M program to begin in April 1983.
Wayne County, Michigan:	Fuels inspections at retail gasoline stations.
Minnesota:	Tampering enforcement of complaints of violations of state prohibition of sale of tampered vehicle.

Las Vegas, Nevada:	Tampering check as part of change of ownership I/M program.
New Jersey:	Public awareness activities; tampering inspections in response to complaints.
New York City, New York:	require tampering inspection and repair before waiver is issued as part of I/M program.
Nassau County, New York:	Fuels inspection at retail outlets.
Ohio:	Fuels inspections at retail gasoline stations and tampering inspections on basis of complaints.
Oregon:	Tampering inspection in Portland I/M program; inspection at used car dealerships to enforce state prohibition of sale of tampered vehicle law.
Indiana:	Public awareness.
Albuquerque, New Mexico:	Public awareness.
North Carolina:	Fuels inspections at retail facilities.

AIR ENFORCEMENT

Question: In fiscal year 1984, your Stationary Source Enforcement Program will remain relatively constant at $15.2 million and 272 permanent workyears. What will be the major focus of your fiscal year 1984 effort?

Answer: In fiscal year 1984, EPA will continue its efforts to address those violating sources with the greatest environmental significance. This has been defined by the Agency as major sources in violation of State Implementation Plan requirements in nonattainment areas and sources in violation of Federally-promulgated New Source Performance Standards and National Emission Standards for Hazardous Air Pollutants.

In close cooperation with States, EPA established a list of such sources and has been working to resolve these violators. The following progress has been made since March 1982, when the list was first established: initial (3/82) list - 483, additional sources identified - 48, sources brought into compliance - 151, sources placed on compliance schedules - 77, and the current (12/82) list - 303.

Thus, in the first nine months of the program, almost half the violations were resolved. Active enforcement cases, either State or Federal, are proceeding against the balance of the sources, as are efforts to identify any other significant violator which may exist.

An important element of the Significant Violator program, which will continue into fiscal year 1984, is the resolution of sources in nonattainment areas subject to the Agency's September 20, 1982 Post-1982 Enforcement Policy. This policy is designed to assure prompt resolution of those violators and is an important component of the Agency's response to the failure of many areas and sources to meet the December 31, 1982 Clean Air Act deadline.

EPA is working closely with the States in bringing these sources into compliance expeditiously. The States have been encouraged to play a significant role in implementing the policy, but EPA will move quickly in the event that a State cannot or will not take effective action.

The Agency's success in having the States assume a greater role in enforcement areas is, in part, a result of substantially increasing our State compliance and enforcement assistance program. This has taken the form of both case-specific assistance and also sponsoring of technical workshops and other program supporting/ building activities. These efforts have been well received by the States, increase the overall effectiveness of the program, and will remain a major area of activity for the program in fiscal year 1984.

Question: Your budget justification also indicates that EPA will issue administrative orders as necessary in the environmentally significant cases where States cannot, and will not, take appropriate enforcement action. How many of these orders have been issued during fiscal year 1982, how many were issued in fiscal year 1983 and how many do you expect to be issued during fiscal year 1984?

Answer: In fiscal year 1982, EPA issued 20 administrative orders. Projections for fiscal year 1983 and fiscal year 1984 are 43 and 41, respectively, with the number actually issued in the first quarter of fiscal year 1983 being 6.

It should be noted that many cases are resolved administratively before an administrative order can be issued. Given that most violations relate to operation and maintenance of the source, they can often be quickly corrected once EPA gets involved with the source, through a Section 114 letter, a pre-NOV letter, or an informal inquiry. This has the desired effect, achieving source compliance, and is relatively less resource-intensive, but is not reflected in the number of administrative orders issued.

Question: Your budget justification states that the fiscal year 1984 budget reflects a major shift in the manner is which EPA will conduct investigations. You note that the Agency will rely more on its own personnel rather than on contractors for most classes of inspections. What is the basis for this change in your investigations process?

Answer: EPA has in the past relied upon both its own personnel and contractors for various compliance monitoring functions. However, for fiscal year 1984, the Agency has decided to make greater use of its own personnel with a concomitant decrease in reliance on contractors. The reasons for this change in the investigations process are as follows:

(1) a few States have objected to the use of contractors by EPA in their States. This is an unnecessary source of friction which should be minimized;

(2) two U.S. Courts of Appeal (Sixth and Tenth Circuits) have determined that contractors are not "authorized representatives" of the Agency under Section 114. While EPA does not agree with these decisions and other courts have held differently, there is presently an uncertain legal climate for continued use of contractors; and

(3) as the number of inspections conducted by the Agency declines, due to increased delegations to States, it is important to have inspections performed by Agency personnel to preserve their technical skills and create a minimum Federal presence to give credibility to the program.

For fiscal year 1984, the budget reflects exclusive use of EPA personnel for case development inspections and observation of performance tests. A mix of EPA and contractor personnel is maintained for the more routine annual inspection of nondelegated NSPS and NESHAPs sources.

AIR AND WATER RESEARCH

Question: Your budget justification indicates that scientific assessments in the Air Research area will be increased by $2.1 million over the FY 83 level.

Please describe the activities that will be undertaken with these additional resources.

Answer: The increase in hazardous pollutants of $1.2 million is to provide sufficient extramural support to start assessment projects for the final 14 chemicals from the list of 37 candidate substances. This incremental funding increase together with prior year resources will ensure that all 37 substances are under assessment during the course of the fiscal year.

In the mobile source area, the increase of $0.4 million is to provide sufficient extramural funds to award a contract to initiate the two year task of revising the carbon monoxide air quality criteria document.

In the oxidants area, increased resources of $0.3 million are requested to provide sufficient contract support for the completion of the ozone and other photochemical oxidants air quality criteria document which was put on an accelerated schedule in late fiscal year 1982.

The increase of $0.2 million for gases and particles is to provide sufficient funding for the completion of the task to update the lead criteria document. The schedule for completing this update was accelerated in late fiscal year 1982.

Question: You further note that an increase of $1.2 million will be available for use in your environmental processes and effects research under the Water Research Program. What specific activities will be undertaken in this program in order to support the Water Quality Regulations?

Answer: The research activities under the environmental processes and effects program which support the Water Quality Regulations include: (1) development of techniques for use in establishing site-specific water quality criteria; (2) development of procedures for identifying potentially attainable water uses; and (3) development and refinement of techniques for translating water quality criteria into source control requirements.

Question: Have you targeted any funds for research into the water bubble approach to pollution control?

Answer: The Agency has not targeted any funds in fiscal year 1984 specifically for research into the water bubble approach to pollution control. However, we believe the planned research would be fully applicable to the bubble approach, which is essentially the same as the water quality-based approach now being pursued by the Agency.

REGIONAL AIR QUALITY RESOURCES

Question: What is your fiscal year 1984 personnel request for the operation of Air Management and Monitoring Programs for regional offices?

Answer: In fiscal year 1984 the Agency is requesting 246.5 permanent workyears for air management and 82.1 permanent workyears for monitoring programs in the regions.

Question: How does this relate to your fiscal year 1983 level?

Answer: The fiscal year 1984 request is the same as the fiscal year 1983 level.

Question: What specific program areas will receive increased emphasis during fiscal year 1984 and which will receive decreased emphasis?

Answer: Areas that will be emphasized include: supporting State development of attainment strategies for revised ambient air quality standards; assessment of air toxics; and analysis of ozone and carbon monoxide attainment strategies in areas where the attainment of these standards by 1987 appears to be improbable. The Agency anticipates decreased State revisions to State Implementation Plans due to the establishment of generic programs. In addition, direct EPA action on new sources will decrease as delegation to States increases.

Question: During fiscal year 1984, you intend to conduct an analysis of strategy alternatives for areas not expected to obtain the ozone and carbon monoxide standards by 1987.

Could you please describe the kinds of analysis and the types of alternatives that are anticipated to be under review?

Answer: EPA expects to work with the State and local air pollution control agencies to determine when and how the ambient air quality standards can be attained in areas that cannot demonstrate attainment by 1987. The analysis will consist of: reviews of the air quality data, the review of specific emission inventories, evaluation of currently adopted regulations and development of alternative strategies for additional controls.

AIR GRANTS

Question: State grants under Section 105 of the Clean Air Act total $70 million. This represents a decrease of $14.8 million from the fiscal year 1983 level. In your budget justification, you estimate that this represents an approximately 7 percent decrease in combined Federal and State resources for Air Pollution Control Program.

On what basis did you arrive at this 7 percent figure?

Answer: Federal and State grant funding for air pollution control programs in fiscal year 1983 was approximately $233.5 million (Federal: $84.7 million; State: $148.8 million). The Clean Air Act (CAA) requires States to maintain their contributions to air programs at current levels (unless there is an across the board State budget reduction) in order to continue to receive Federal grants. In view of this requirement, EPA assumes that States will not reduce their share of funding from that of the preceding year, a 17 percent decrease in Federal funds in 1984 represents a 6-7 percent decrease in total resources.

Question: Do you expect that State contributions will continue at the same level as in fiscal year 1982 and fiscal year 1983?

Answer: In view of the requirements of the CAA the Agency expects State contributions to remain the same.

Question: You state that the decrease in Federal Grant funding reflects savings through reduction in regulatory planning costs, elimination of certain duplicative monitoring sites and management efficiencies. Could you please explain the specific savings in each of these areas and how they were achieved?

Answer: The problems that State and local air pollution control agencies must address are changing. States have made considerable progress in developing automobile inspection and maintenance programs and completing SIP decisions for areas that received extensions until 1987 for attainment of the carbon monoxide and ozone standards. States have also worked with EPA to improve administrative procedures in SIP processing and grant requirements. However, there are emerging issues that States and EPA must be equipped to address. Additional analysis is needed to determine the impact on State resources of issues regarding deadlines and sanctions. Also, economic recovery could mean an upswing in requests for new source permits. EPA is re-evaluating the resource impact of these changing conditions.

CLEAN AIR ACT REAUTHORIZATION

Question: The authorization for the Clean Air Act expired at the end of fiscal year 1981. As you well know, the Congress was unable to draft legislation extending the Clean Air Act last year.

Lacking authorization for the Clean Air Act programs, how is the Agency managing its air programs in 1983 and 1984?

Answer: The only section in the Clean Air Act that expired on September 3C, 1981 is Section 327, which is the authorization for appropriations. There is no sunset provision in the Clean Air Act mandating that the whole Act expire. Hence, the Clean Air Program continues beyond September 30, 1981 so long as there are funds to run the program.

Question: Please provide, for the record, a summary of the major provisions that the Administration feels are critical in any revision of the Clean Air Act.

Answer: The following are the major provisions that the Administration feels are critical in any revision of the Clean Air Act:

- The Nation should continue its steady progress toward cleaner air.
- The Federal Government should continue to promulgate national primary ambient air quality standards based upon health considerations and continue to set secondary standards for welfare-related concerns such as visibility, crop growth, and the like.
- The States will be accorded a full partnership in implementing the Nation's air quality goals.

- Statutes and regulations should be reasonable; deadlines for achieving air quality standards should be continued, but adjusted to reflect realities in particular areas.
- The current program for the prevention of significant deterioration of air quality should be maintained for the protection of national parks and wilderness areas.
- Uniform emission limits should serve as the control standards for new coal-fired plants. Environmental protection should be the criterion.
- Research on acid deposition should be accelerated.
- A more effective hazardous air pollutant program should be established.
- Emission standards for nitrogen oxides (NO_x) and carbon monoxide (CO) for light duty automobiles could be adjusted to more reasonable levels without affecting air quality goals.

CARBON MONOXIDE CONCENTRATIONS

Question: During the last decade, carbon monoxide concentrations have decreased by more than 40 percent and particulate matter has declined by about 20 percent nationwide.

Could you please prepare for the record, a graph showing the carbon monoxide concentrations and particulate matter concentrations for each of the last 10 years for which data is available?

Answer: The trend in the second highest 8-hour average carbon monoxide level at 91 sites decreased at a rate of approximately 5 percent per year with an overall reduction of 41 percent between 1970 and 1980 (Figure 1). The improvement reflects levels at traffic-saturated monitoring sites in the center-city. Since these sites have experienced little or no change in the number of vehicles in their vicinity, the improvement in carbon monoxide levels reflects the reductions in emissions from new cars brought about by Federal standards on vehicle emissions.

A 21-year trend line (1960-1980) for annual average particulate levels is presented (Figure 2). In order to create the 21-year trend line, three separate trend lines are merged. Between 1960 and 1971 the national trend is based on 95 National Air Sampling Network Sites, which operated during this period in urban areas. The trend for the period 1972 to 1977 is based on measurements collected at over 3,000 sites reflecting the growth in State and local monitoring networks. Finally, the trend line between 1977 and 1980 is based on 1925 sites reflecting a reduction in the number of monitoring sites needed, resulting from the monitoring regulations promulgated in May 1979.

The greatest improvement in ambient particulate levels occurred in the late 1960's and early 1970's. Nationally, ambient particulate decreased 31 percent between 1960 and 1980. Between 1970 and 1980 particulate levels decreased 15 percent. The rapid improvement in the late 1960's was largely due to the emission control programs of State and local air pollution control agencies. The improvement from 1970 on is due mainly to control of traditional particulate sources, such as fuel combustion, solid waste disposal operations and industrial process emissions. While a slight increase occurred between 1979 and 1980, preliminary analysis of 1,289 sites with 1980 and 1981 data indicates that a decrease of 6 percent occurred between 1980 and 1981.

A new trends report, National Air Quality and Emission Trends Report, 1981 is in preparation and will be published within 2 to 3 months. This report will examine the period 1975 -1981 for all criteria pollutants with special attention given to the air quality changes between 1980 and 1981.

FIGURE 1

NATIONAL TREND IN THE SECOND HIGH 8-HOUR AVERAGE CO CONCENTRATION, 1970-1980 (91 SITES)

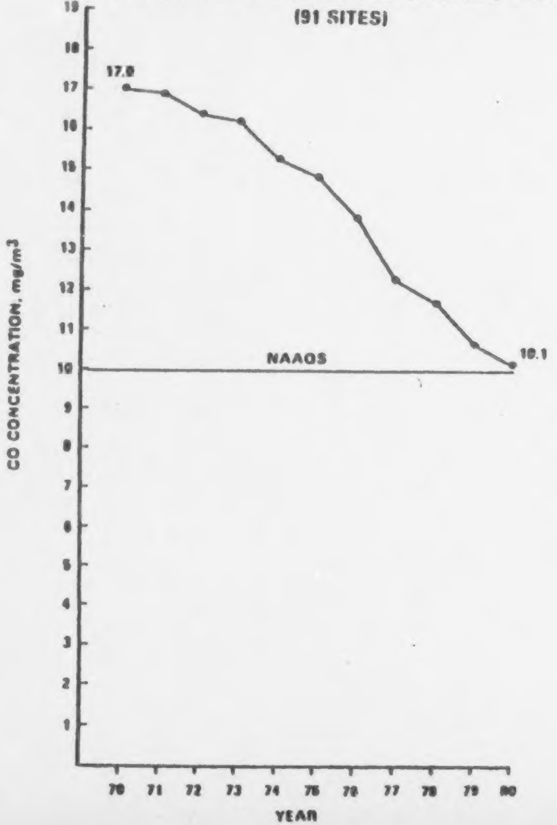
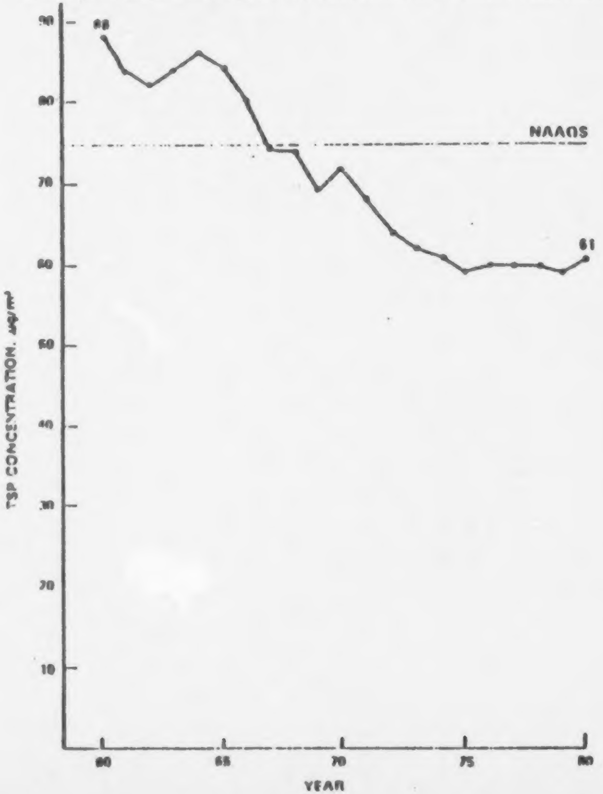


FIGURE 2

NATIONAL TREND IN AVERAGE PARTICULATE LEVELS, 1960-1980



Senator Garn—Continued

CLEAN AIR ACT

Question: Based on the organization and content of the justification book, it is difficult to understand -- except in the very broadest of terms -- what clean air programs are being carried out and at what pace they are being completed.

To help the Committee better understand what you are proposing, please submit for the record a listing of individual projects and activities in the R&D Oxidants area described, the actual or planned amounts 1982 to 1984 for each project or activity, and actual or planned start/completion dates for each project and activity.

Answer:	1982 Proj. Actuals ($000's)	1983 Operating Plan ($000's)	1984 Request ($000's)	Completion Date
Support for Ozone criteria document	546.4	750.3	1068.3	1/86
Standard UV reference photometers for ozone monitoring	50.0	80.0	55.0	9/85
Portable volatile organic compounds (VOC) monitoring instrument	186.2	50.0	77.0	9/87
Conduct the National Audit Program	147.0	330.0	160.0	Cont.
Standards laboratory services and repository	84.0	0.0	160.0	Cont.
Monitoring operations support to program offices and region	543.0	350.0	461.5	Cont.
National Atmospheric Pol. Background Network	240.0	220.1	129.2	9/84
Toxicological data on acute and chronic exposure to oxidants	4151.4	2614.8	2508.2	3/87
Assess risks from oxidants	539.8	160.8	579.8	6/85
Technology assessment of VOC emission control	1975.9	2124.4	903.0	12/85
NO_x control by combustion modification of industrial furnace*	0.0	0.0	555.1	9/84
Source assessment of air emission control*	0.0	421.8	1156.0	4/84
Fundamental/applied combustion research*	0.0	200.2	35.8	12/84

Senator Garn—Continued

	1982 Proj. Actuals ($000's)	1983 Operating Plan ($000's)	1984 Request ($000's)	Completion Date
Heavy oil/low NO_x burner field evaluation*	0.0	610.8	0.0	9/83
Development of urban scale ozone air quality models	2368.0	856.4	901.4	9/86
Development of regional scale model for oxidants	2406.6	1957.3	1988.9	8/86
Concentrations of biogenic emissions to produce oxidants	339.3	185.3	0.0	8/86
Determine impact of ozone on major agronomic crops	1063.4	998.4	1053.0	11/87
Total	$14,641.0	$11,910.6	$11,792.2	

*These projects were funded under the Oxidants - Energy research program in FY 1982.

Question: Under the Clean Air Act, primary responsibility for the prevention and control of air pollution at its source rests with State and local government. The budget request of $70 million for Air Grants to support their activities would be a 17 percent reduction. Will the proposed reduction affect State and local activity or do you expect them to raise additional funds locally to maintain their activities?

Answer: Based on our survey of existing State permit fee systems the Agency estimates that about $5.5 million could be raised through permit fees. The Agency has and will continue to distribute information on the legal and technical requirements of permit fee systems to aid States in developing and implementing permit fees.

Question: Have any States or local jurisdictions notified you of their intent to reduce their activities as a result of cuts in the Air Grants Program?

Answer: We have not received any formal notification from any State indicating a reduction in activities due to the fiscal year 1984 budget request.

Question: Please provide, for the record, funding data and performance statistics for fiscal year 1982 (actual), fiscal year 1983 (estimated) and fiscal year 1984 (proposed) for State and local training, monitoring, inspection and enforcement activities.

Answer:	FY 1982 (actual)	FY 1983 (estimate)	FY 1984 (proposed)
Training	$1.02 million	$1.20 million	$.73 million
*Inspection/ Enforcement	$30.5 million	$31.5 million	$26.9 million
*Monitoring	$31.0 million	$29.5 million	$27.6 million
*Air Quality Management	$26.3 million	$23.7 million	$15.4 million

* Since air grants are not earmarked for specific activities these are approximate funding levels.

Question: In May 1979, you established requirements for ambient air quality monitoring stations, networks and quality assurance procedures. Now it appears that the monitors and networks are being scaled back in part to accommodate reduced funding.

What is the level of funding for air monitoring activities in fiscal year 1982, fiscal year 1983, and fiscal year 1984?

Answer: Federal funding under Section 105 of the Clean Air Act for air monitoring has remained fairly constant from fiscal year 1981 through fiscal year 1983 at approximately 30 million dollars. During this period, we estimate that an additional 47 million dollars of State funds were expended in monitoring for a total of approximately 75 million dollars.

For fiscal year 1984, based on a budget request of 70 million dollars for Section 105 Grant Funding, monitoring activities are expected to be funded at a slightly reduced level of about 28 million dollars. It is currently unclear what level of funding would be provided by the States.

Question: To what extent are the air monitoring networks and/or stations being reduced?

Answer: Table 1 displays the size of the State and Local Air Monitoring Station (SLAMS) networks for 1981 through 1983. This is based on information provided by the States. Although there is a significant downward trend in the number of monitoring stations operating, the vast majority of the stations eliminated are the gas bubblers for SO_2 and NO_2, and hi-volume air samplers for TSP. It should be noted that the National Air Monitoring Stations (NAMS) which are designed to provide long term trends and are a subset of the SLAMS system have not been reduced.

In the case of the gas bubblers, most of these stations were located in areas where the air quality values recorded were well below the level of the NAAQS. In addition, the bubblers have had a number of serious technical difficulties which, although corrected, have thrown doubt on the past data and made future operation of these instruments less important.

For TSP, EPA has been encouraging the States to review their hi-volume sampler networks in preparation for a revised particulate matter (PM) standard. The revised PM standard will likely require different monitoring equipment in areas. Thus, the States have been reducing unnecessary sites and have eliminated approximately 15 percent of the sites since 1981.

A very slight downward trend is evident in the size of the CO, O_3, and automated SO_2 and NO_2 networks. A decrease of 90 monitors out of a total 2060 (4.3%) is shown from 1981 to 1983.

TABLE 1

SUMMARY OF SLAMS NETWORK
(Including NAMS)

Pollutant	1981	1982	1983
TSP	3,100	2,710	2,640
SO_2 Automated	620	600	600
bubbler	290	180	20
CO	480	470	460
NO_2 Automated	330	290	290
bubbler	370	170	40
O_3	630	640	620
Pb	330	330	360
SUBTOTAL	6,150	5,390	5,030
PM-15/PM-10*	100	200	300
TOTAL	6,250	5,590	5,330

*Not a part of the existing SLAMS network.

WATER QUALITY PROGRAM

Question: The President's fiscal year 1984 Budget provides 1,663 permanent workyears and $151.4 million for water programs. This represents a decrease of 288 permanent workyears and $64.4 million. I understand that a portion of that changed--approximately 67 workyears and $8.8 million represents a transfer of resources from the Water Program to the Interdisciplinary Program.

Could you please describe the nature of the other decreases in the water program and the expected impact that these decreases might have in water quality?

Answer: Part of the Water Quality reduction is strictly an accounting transfer which moved 67 workyears and $8.8 million from Water Quality to Interdisciplinary to consolidate resources for compliance with the National Environmental Policy Act. The Agency also has transferred $1.1 million of exploratory research to the same media (15% of the reduction).

Another part of the Water Quality reduction represents completed work or successful delegation. The sum of these reductions is 197.7 workyears and $28.2 million or 41% of the total reduction. Included in this is a reduction in Effluent Guidelines, where we are on schedule in promulgating the guidelines and have completed the majority of the work, and in research activities supporting that program. The Agency has asked for no funding for Cleanlakes, Great Lakes Research, Water Quality Standards Research, Chesapeake Bay, Academic Training or Operator Training since these activities are completed or can be delegated. In the Construction Grants program, the Corps of Engineers, Municipal Waste Treatment, State Programs Management and related municipal technology research decline reflecting continuing delegation and a smaller Construction Grant appropriation. Reduced funding in the Environmental Emergency Response and Prevention program is possible due to program maturation. The Great Lakes program resources were reduced because of the completion of the Niagara River Study and the Section 108 demonstration grants and because of the non-recurrence of a one time equipment purchase.

Almost half of the reduction, $30.2 million is targeted to Section 106 grants, representing the availability of alternative funding under Section 205(g) and 205(j) grants.

The remaining changes net a decrease of 23.3 workyears and an increase of $3.7 million. Most of this workyear reduction is related to Water Quality Enforcement and Permit Issuance resulting from increased delegation, improved compliance rates, regulatory reform, and focussing on second round priority permits.

WATER QUALITY - BACKLOG OF PERMITS

Question: Your budget justification indicates that a major focus of your fiscal year 84 program will be to reduce the backlog of National Pollutant Discharge Elimination System permits.

What specific activities will be undertaken in order to reduce this backlog?

Answer: During fiscal year 1982 and fiscal year 1983, the Agency established a permit priority system for ensuring permits issued in fiscal year 1983 and beyond were consistent with Agency policy and goals. Included in the policy and goals is the issuance of permits in water use impaired areas and where Best Available Technology Economically Achievable (BAT) effluent guidelines are promulgated.

During the last year, 11 effluent guidelines were promulgated (out of a presently promulgated total of 12). By the end of fiscal year 1983, it is estimated that 75% of all EPA major industrial permits will be covered, at least in part, by promulgated guidelines.

During fiscal year 1983 and fiscal year 1984, the Agency will start to reduce the permit backlog by reissuing expired or expiring permits that are water quality based, that are guidelines based and that are a combination of BAT guidelines and Best Professional Judgment (BPJ) limitations, where BPJ is necessary to limit pollutants not covered by the promulgated guideline. In addition, the Agency will increase the use of general permits to minor facilities with similar pollution discharges. The general permit will not only assist in reducing the minor industrial permit backlog, but will also ensure control of pollutants from facilities which might otherwise remain unpermitted.

Ouestion: What goals have you established for fiscal year 1983 and fiscal year 1984 in terms of pollution discharge permits?

Answer: The following is a summary of permit issuance goals for fiscal yeas 1983 and fiscal year 1984:

	EPA Issued Major Permits		
Year	Major Industrial Permits	Major Municpal Permits	General Permits
Fiscal year 83	274	102	26
Fiscal year 84	300	181	58

Question: You are also reviewing applications for waivers of secondary treatment requirements under Section 301(h) for marine-based wastewater treatment works. You indicate that you'll be requesting an increase of $2.2 million to support the work in this program.

What specific activities do you intend to undertake in fiscal year 1984 under this program and what criteria will be used to determine the environmental acceptability of such waivers?

Answer: EPA will undertake several activities in fiscal year 1984. Monitoring techniques and plans for the national 301(h) data management program will be developed. Construction costs of ocean outfalls vs. costs of treatment will be evaluated. EPA will review and concur on the original and new reapplications for the previous 24 large application decisions and permit conditions. Tentative decisions for the six original remaining major applications and for many of the forty original minor applications will take place.

EPA will continue to review applicants' Plans of Study and State determinations and concurrences on waivers. We will prepare Tentative Decisions and draft permit conditions, as well as provide for public notices and hold hearings prior to the issuance of final permits. Final permits will be issued and EPA will prepare for appeals via evidentiary hearing requests and appeals to the Administrator. EPA Task Force reviews of high priority projects will take place and also EPA will identify priority projects in order to contract Technical Review Reports of waiver applications.

Section 301(h) of the Clean Water Act, as amended, sets forth criteria for obtaining a modification to the Act's secondary treatment requirements. The proposed municipal discharge must be into marine waters and the applicant must satisfy the following 301(h) criteria: (1) Compliance with water quality standards; (2) attainment or maintenance of water quality which protects public water supplies, balanced shellfish, fish and wildlife population, and recreational activities; (3) establishment of monitoring program; (4) no additional treatment requirements; (5) enforcement of pretreatment requirements; (6) establish a schedule of activities to eliminate toxics from nonindustrial sources; and (7) no discharge increases beyond those specified.

WATER QUALITY - BASED APPROACHES TO POLLUTION CONTROL

Question: Your Water Quality Standards Program will be increased by 14 permanent workyears and $1.6 million in fiscal year 1984 to assist States in developing a water quality-based approach to pollution control. The intent of this program is to work to increase State flexibility in setting economically and environmentally obtainable standards and in setting criteria levels which reflect local environmental conditions.

Does EPA currently have the data base necessary to support such environmental standards and establish such criteria or will the data be provided by State and local governments?

Answer: Under the Clean Water Act, the States adopt water quality standards for their water bodies. These standards consist of designated beneficial uses, e.g. trout fishery, and water quality criteria protective of that use. EPA reviews and approves State-adopted standards and, where necessary, promulgates standards. The Agency has proposed a revised water quality standards regulation to provide States with more guidance on developing scientifically defensible standards. The additional resources, requested in fiscal year 1984 will be assigned to the Regions to increase the Agency's technical assistance to the States thereby significantly improving the development and implementation of the standard program.

States must adopt criteria to protect the designated uses of a water body. They have the discretion to adopt EPA lab-derived criteria published as guidance in accordance with section 304(a) or to develop site-specific criteria using scientifically defensible methods. The Agency published a draft Water Quality Standards Handbook in October, 1982 which explains certain site-specific criteria development procedures. Certain data requirements are necessary to use these methods and, depending on the data base available on a certain stream segment, varying levels of additional information may be required. States and local governments often have a great deal of data available to them from previous water quality planning studies, intensive surveys, ambient monitoring stations, and discharger reports. The Agency maintains ambient data on water bodies in the STORET system. The comprehensiveness of local, State, and EPA data bases varies by pollutant with substantially more data available on the conventional pollutants. If available data is insufficient, more data can be collected through several mechanisms including cooperative agreements with other agencies and using data collected by dischargers in accordance with well defined quality assurance/quality control procedures.

Question: You note that the Agency will implement the final rule on Water Quality Standards and will field test and revise guidance to reflect the development of newer refined procedures for setting Water Quality Standards in fiscal year 84.

Where are you currently in this process and when did you expect that such a final rule would be published?

Answer: We are now reviewing over 1,400 public comments on the proposed water quality standards regulation, and are preparing our final position on the basis of this review. The results of the review will determine the publication date. In addition, some twenty States have been involved in field testing the Agency's guidance packages and these guidance packages are now undergoing review and revision on the basis of this experience.

MARINE PROTECTION PROGRAM

Question: You indicate that EPA intends to implement a user fee system for the disposal of wastes at sea.

Is legislation required to set such a system in place?

Answer: The Marine Protection, Research, and Sanctuaries Act (MPRSA) authorizes a permit processing fee, recovering the cost of reviewing permit applications. On March 11, 1983, the Agency proposed legislation to the Congress to amend the MPRSA to create the authority to collect user fees. User fees would be collected to recover the costs related to designating sites and compliance monitoring for industrial and municipal waste disposal. If appropriate legislation is approved by Congress, the Agency will implement a user fee system.

Question: What fee structure is currently under study at EPA?

Answer: The Agency proposes to charge all permit applicants a uniform fee covering the costs of permit processing. A separate fee system is proposed to recoup the costs of site designation, maintenance and enforcement. A standard cost per ton fee would be established to recoup projected costs and charged to all applicants discharging in the following year. At the end of the year, the actual costs and tonnage would be calculated and applicants would be either reimbursed or assessed additional charges, depending on the accuracy of projected costs and tons dumped during the year.

Question: How would the collected fees be used?

Answer: As mentioned above, the Agency will charge all permit applicants a uniform fee covering the costs of permit processing. This uniform fee will reflect the average cost of processing a permit ($8,000 is the current average cost for processing a permit.) A separate fee system will recoup the costs of site designation, maintenance and enforcement.

Question: What activities does EPA intend to undertake during fiscal year 1983 and fiscal year 1984 to develop a better scientific understanding of the use of the ocean as a waste management alternative?

Answer: The Agency is revising the ocean dumping regulation and criteria to balance the relative risks of all methods of disposal before making a determination as to whether or not an ocean dumping permit will be granted. The program will evaluate and characterize all waste samples on a case-by-case basis and survey ocean disposal sites to help the Agency develop better criteria for site selection and write permits with sufficient protection to prevent unreasonable degradation.

HEADQUARTERS ADVANCED TREATMENT REVIEW

Question: Your budget justification indicates that EPA will continue to implement a detailed review process for proposed advance treatment projects. Your justification also notes that through 1982, the Agency saved a total of $826 million through the conduct of these reviews. Yet your fiscal year 1984 budget does not request specific resources for the continuation of these reviews.

I understand that you will continue these reviews within the resources requested -- is that correct?

Answer: Yes. The Agency has committed adequate Headquarters resources within the requested level to continue to review proposed Advanced Treatment projects with incremental costs over $3 million.

CONSTRUCTION GRANTS FUNDING IN NEW YORK

Question: I understand that New York has $292 million in carryover balances brought forward into fiscal year 1983 in the Construction Grants Program and also has about $2 billion in unexpended balances.

Please explain the reason for these large balances.

Answer: The magnitude of the large unobligated balances in New York is primarily attributable to a large deobligation on a land-based sludge disposal project and the lateness of the fiscal year 1982 appropriation. Based on the deferral of land-based sludge disposal decisions as a result of a court decision, the State has about $140 million in carryover from these deobligations. In addition, because of delays in the fiscal year 1982 appropriation and ongoing revisions to State priority systems and lists, a number of States, including New York, have deobligated substantial sums to make them available for other priority water quality needs.

As of September 30, 1982, the obligated but unexpended balance in New York was approximately $1.6 billion. There are a number of very large waste water treatment plants, particularly those covered under the New York City consent decree, which have been delayed but which are now proceeding to construction. Although outlays will, of course, occur over several years, we should begin seeing reductions in these unexpended balances shortly.

COLLECTION OF OVERDUE INDUSTRIAL COST RECOVERY PAYMENTS

Question: On June 3, 1982, GAO issued a letter report that identified over $17,000 in industrial recovery costs (IRC) due to EPA in the Boston Region.

What is your estimate of the total IRC due to EPA nationwide?

Answer: The Agency does not have an estimate of the total IRC costs due to EPA.

Question: What steps have you taken since June to collect these funds?

Answer: The legal issues surrounding the repeal of the IRC provisions in the Clean Water Act have been resolved and EPA is undertaking collections on grants where IRC was applicable.

Immediately following repeal of the statutory requirement, but prior to the GAO report, the Agency issued instructions to Regions on handling these issues and issued a class deviation to our regulations. Subsequent to issuance of the GAO report, further instructions were sent to our Regional offices concerning collection procedures. In addition, on November 15, 1982, we sent to Regional offices computer printouts listing projects which went into operation between February 1, 1973 and December 27, 1977, the effective dates of the IRC requirement, for their use in identifying grantees who may potentially owe IRC payments. However, because the computer system cannot identify projects with industrial flows or potential IRC amounts, the listing only has served as a reference for further refinement by our offices.

The resolution of IRC costs will continue to occur as these projects are completed and closed out. We have no plans to develop national totals of amounts recovered.

106 WATER GRANTS

Question: This year you are requesting a decrease of 56% in the funds available for Section 106 Water Quality Management Grants. Last year, you proposed a 25% reduction and this was restored by Congress.

Since we have discussed your proposal for funding the State Grant Program, in terms of national policy, I would like you to consider its impact at the local level. In Utah, for example, the proposed reduction would result in the State eliminating its: water quality permit activities; compliance monitoring; eliminate ambient monitoring and eliminate water quality planning.

How can we expect to achieve the same level of water quality when States can no longer afford to maintain their programs?

Answer: In 1984, we expect that most States will choose to continue to accept an increasing share of responsibility for these programs and commit additional State funds for priority water quality needs. In addition, streamlined Federal regulations should reduce the State burden in complying with Federal requirements. As we have indicated previously, we are encouraging States to use available Section 205(g) funds for certain eligible activities previously funded primarily under Section 106 grants. Section 106 funds will be supplemented by approximately $8 million in 1984 under this provision.

In addition, Congress in 1981 enacted Section 205(j) of the Clean Water Act to support State water quality planning, including water quality standards and monitoring. This program will permit States to use up to $24.4 million of newly available funds for work on priority waterbodies in 1984 and to continue to expend the remainder of the $45 million we expect will be obligated in 1983.

Each State, like Utah, is expected to evaluate its priorities, and the availability of State funds, and to coordinate use of available Sections 106, 205(g) and 205(j) funds in formulating its 1984 program with our Regional Offices. EPA will work with each State to target funds to highest priority needs and to ensure the most cost-effective application of funds in 1984. Half of the activities stated for reduction, for example, planning, management, and ambient monitoring, are eligible for 205(j) funds. It is unclear to us why a State would not use 205(j) funds for these activities. Remaining 106 funding could then be targeted to permitting and enforcement.

CHICAGO TUNNEL AND RESERVOIR PLAN

The multibillion dollar Chicago Tunnel and Reservoir Plan (TARP) has been subject of a great deal of controversy because of its high cost and possible limited impact on water quality. In May 1979, GAO questioned continuing funding of TARP Phase I and recommended that EPA reassess the project before further funding. Now almost 4 years later, EPA has not decided on the future of TARP. In this regard:

Question: What is your current estimate of when a decision will be made on the future of federal funding for TARP?

Answer: The Agency has made a preliminary evaluation of TARP. However, a funding decision on TARP has been deferred since the State of Illinois apparently will not designate any of the unfunded TARP Phase I segments as priority projects for Federal funding until 1984 or later. When the State designates one or more TARP Phase I segments as within fundable reach, the project will be reviewed, including any new information submitted, and a funding decision made.

Question: Why has it taken so long to make the reassessment?

Answer: Because of the interrelationship of TARP and the City of Chicago's proposed advanced treatment plants, the issues have been numerous and complex. The Agency has completed its reviews of the proposed advanced treatment plants. These reviews resulted in project cost savings of approximately $470 million. As a result of these decisions and statutory requirements, the State is now reevaluating the use attainability of the Chicago waterways.

Question: How are you estimating whether the States' water quality goals will be met by TARP?

Answer: Under the 1981 Amendments to the Clean Water Act, the State of Illinois is required to reevaluate the water quality standards for the Chicago waterways by the end of 1984. The answer to this question should await completion of the State's review of their water quality goals.

Question: Given Illinois' allocation under a $2.4 billion construction grant program -- about $110 million -- could this project ever be completed?

Answer: The current annual authorization for the program is $2.4 billion through 1985. The total capital cost of the unfunded segments of TARP Phase I is about $1.1 billion. Therefore, with either 75 percent or 55 percent Federal assistance, the entire project could not be completed if it depends solely on Federal funding assistance.

CLEAN LAKES GRANTS

Question: Last year the Congress provided you $3 million for your Clean Lakes Grants Program. Your fiscal year 1984 budget contains no money for this program. Evidentially you believe the States are capable of undertaking Clean Lake activities as part of their other water quality programs.

What Clean Lakes activities would you anticipate that the States would undertake in fiscal year 1984 without federal funds?

Answer: In past years, the Agency has developed and demonstrated lake restoration techniques and assisted States in classifying lakes, identifying the most suitable techniques for restoring the level of water quality needed to maintain or enhance use, and actually implementing cleanup and control projects. Since the Agency has provided guidance to the States on maintaining clean lakes, it believes that it is now a State responsibility to address lake restoration needs, along with other local priorities, under its water quality management program. However, we would anticipate a lower level of activity without Federal participation.

Question: How do you intend to spend the $3 million provided in fiscal year 1983?

Answer: The Agency has established criteria to prioritize projects. The projects which have met the following criteria, listed from highest to lowest priority, are being considered for funding:

1. Existing Phase II projects which will complete their original scope of work with the funds requested, and which did not receive similar funding in fiscal year 1982.

2. Existing Clean Lakes projects which have completed their diagnostic/feasibility study (Phase I) and are requesting funds to complete their proposed restorative work (Phase II).

Question: How many projects funded in fiscal year 1983 will not be completed with the expenditure of those funds?

Answer: The Senate Committee report recommended $3 million in funds for fiscal year 1983 for the Clean Lakes program "for the completion of existing projects." The Agency will award grants to those projects which have met the criteria outlined above and which will complete their restoration of the lake with the funds requested. All projects funded with 1983 money will be completed, although physical completion may take place during 1984.

Question: Of the various functions in the program -- R&D, planning, implementation and maintenance -- which ones are most appropriate for Federal funding and which ones are most appropriately designated as State or local responsibilities.

Answer: All are appropriate for State funding. As mentioned above, EPA has developed and implemented a program of financial assistance to carry out the provisions of a national lake protection and restoration effort. EPA has assisted States in classifying lakes, identifying preferred techniques for restoring the quality of their freshwater lakes, and implementing clean-up projects.

Since the local community and the State involved will receive the primary benefit from completion of lake restoration projects, the Agency believes that the State should be responsible for addressing its lake restorations needs.

MUNICIPAL/INDUSTRIAL WASTEWATER RESEARCH

Question: What specific activities will you undertake during FY 84 in order to support innovative wastewater technologies program and to find better ways to manage sludge?

Answer: The Office of Research and Development will continue to actively support the Construction Grants Innovative and Alternative (I/A) Technology program. Support will consist of technical reviews of plans submitted by States for innovative facilities, post-construction evaluations of operating I/A projects, evaluations of I/A field tests, assessments of emerging technologies, technical assistance to States, municipalities and the Construction Grants Program in the area of small wastewater flows and conduct of regional and State technical information transfer seminars.

The Office of Research and Development, in an effort to find better ways to manage sludge, will shift emphasis to developing innovative processes that have the potential to further reduce sludge volumes than conventional stabilization methods. New advanced digestion systems using combinations of biological, thermal and chemical processes will be evaluated. The research will also develop/evaluate thermal conversion processes that convert the sludge to gas or oil-based products with a minimum of residue. The research will also emphasize minimizing environmental impacts, energy use and costs associated with sludge management. ORD will provide support for developing the Agency's sludge policies, guidelines and regulations.

Question: What specific manuals or information will result from these activities?

Answer: The I/A activities will result in the following types of reports: 10 assessment reports of emerging technologies, quarterly I/A clearinghouse reports to disseminate I/A construction grant information, and 15 post-construction evaluations of operating I/A construction grant projects that include technologies involving overland flow, ultraviolet light disinfection of wastewater, on-site treatment systems and pressure sewers, sequencing batch reactors, and dual-stage sludge digestion.

The activities in sludge management will result in feasibility reports on the engineering design, performance and costs of at least two new advanced digestion and thermal conversion systems. These reports will provide consulting engineers with the required technical information to design full scale facilities and to apply it to the I/A program. As adequate information becomes available from the performance of full scale plants, appropriate manuals will be produced for technology transfer.

Question: You indicate that your industrial wastewater Research Program will concentrate on evaluating and validating monitoring procedures for priority pollutants.

What specific evaluations do you have planned for FY 83 and FY 84?

Answer: One group of evaluations pertains to the correction of deficiencies in approved analytical test procedures. Since the Consent Agreement of 1976 established the priority toxic pollutants, the Agency has been engaged in an intensive research effort to develop cost-effective, routine, analytical methods to analyze the toxic organic priority pollutants in treated industrial wastewater effluents.

Comments from reviewers of these methods focused on the need for them to have greater precision, accuracy, and validation. Our research efforts have addressed these inadequacies and made many improvements. In fiscal year 1983, we plan to complete some evaluations of a number of analytical data-sets that were generated by multi-laboratory validation studies. These evaluations, in turn, will be used to develop monitoring methods utilizing gas chromatographic (GC) procedures. We will also evaluate in fiscal year 1983 the applicability of these analytical procedures, that have been developed for organic priority pollutants, to analyze similar chemicals found in industrial wastewaters. Additionally, some of our planned fiscal year 1983 research activities are focused on evaluating the applicability of some recently developed analytical procedures for inorganic pollutants, such as furnace atomic absorption and inductively coupled plasma spectroscopic techniques. In fiscal year 1984, we plan to complete the evaluation of monitoring procedures for organic priority pollutants utilizing gas chromatographic/mass spectrometric (GC/MS) techniques.

Question: What techniques are you using, and what techniques do you intend to use to validate the various monitoring procedures currently in effect?

Answer: The technique we are using follows the design of W. J. Yundan ("Statistical Technique for Collaborative Tests," Statistical Manual of The Association of Official Analytical Chemists, 1975). From 15 to 20 laboratories are involved in each validation study. In this study design, pairs of samples of slightly different spiked concentrations of the compound of interest are analyzed. In our studies, three pairs of samples are analyzed by the collaborating analysts over the concentration range of interest for each pollutant. The water types under investigation include reagent water, tap water, and one surface water known to be susceptible to contamination by organic pollutants. Additionally, three industrial wastewaters that normally might be regulated for the priority pollutants are also under investigation. Analyses are focused on precision, accuracy, and recovery of pollutants utilizing various monitoring procedures and test samples.

Question: Do you intend to develop alternate monitoring procedures and validate these?

Answer: Within our base program, we have an activity which we identify as the "equivalency program". This program was developed to provide procedures for the regulated community, instrument manufacturers, and others to develop and obtain Agency approval for newer and better analytical procedures for use within the National Pollution Discharge Elimination System (NPDES). Applicants for such approvals are responsible for validation testing of the "equivalency" of such candidate test procedures to those already approved by the Administrator. When such application is for "nationwide approval," equivalent test procedures have the same regulatory stature as any other alternate test procedures which are approved by EPA for NPDES use. Scientists in the equivalency program review testing data provided by applicants and verify their equivalency before an equivalency approval recommendation is made to the Administrator.

WATER QUALITY - CORPS OF ENGINEERS

Question: In fiscal year 1983, EPA allocated $20.2 million under the Abatement, Control and Compliance Appropriation to fund approximately 500 workyears for the Corps of Engineers. This year, you are requesting $16 million and 370 workyears of effort. This represents a decrease of 26% in the number of workyears. A review of the work activities anticipated for the Corps of Engineers do not inidicate that such a large decrease is warranted.

On what basis is this decrease recommended?

Answer: We believe there is a direct link between proposed 1984 Corps workload and requested resources. Based on current projections, the number of new grant projects assigned the Corps will drop approximately 25% between 1983 and 1984. The number of ongoing active projects assigned is projected to reduce from approximately 1,300 to 1,170. EPA Regional offices, States, and the Corps of Engineers are now beginning preliminary negotiations on the 1984 program. These negotiations will cover historical base program needs, and special assignments in priority areas including especially additional on-site construction management evaluations, elimination of backlogs (including closeouts of Steps 1, 2, and 3 projects), and State program overview and staff assistance. We believe that adequate Interagency Agreement resources will be available in 1984 to support high priority State needs.

Question: What was your request to OMB for the Corps of Engineers for fiscal year 1984?

Answer: The Agency requested $16.5 million for Corps Interagency Agreement funding.

CHESAPEAKE BAY PROGRAM

Question: EPA is expected to complete its six year study of the Chesapeake Bay during fiscal year 1983. It is our understanding that one of EPA's reports will discuss management strategies that can be used by water resources managers to help solve the problems of the Bay.

Will the management strategies report identify who should have lead responsibility for implementing the strategy?

Answer: The EPA Management Study for the Chesapeake Bay, to be released September 30, 1983, will discuss strategies for reducing pollution loadings in the Bay. Implementation of these strategies will be the responsibilities of the States. Maryland and Virginia have had this responsibility historically, and the Agency expects they will continue in this role.

Question: Will the management strategies report include a benefit/cost analysis of the various strategies?

Answer: EPA has evaluated the management alternatives with benefit/cost analyses which will assist the States in setting water quality priorities.

Question: The Committee has been informed that OMB believes that solving the problems of the Bay is a State responsibility.

Does EPA share this view?

Answer: Yes. EPA will complete its work on the Chesapeake Bay study during fiscal year 1983. The Agency is working with the States to arrange for them to assume responsibility for the Bay Study computer, its software, and data. Implementation of the recommendations and alternativies will come as a result of a review by the States and later decisions by the States.

Question: How much are each of the various States now putting into the Bay Program?

Answer: The States of Maryland, Virginia, and Pennsylvania have pooled their resources in aggregate in the amount of $793,000 for fiscal year 1983. Most of the State contributions are in staff resources, but $80,000 is for a Governors' Conference on the Bay to be held in November 1983. Other supporting activities include water quality monitoring, water quality modeling and analysis, and computer support.

The three States are committed to the use of their construction grants funds for wastewater treatment facilities which will help clean up the Bay-related receiving waters. States will also use their 106 grants to support Bay-related water permits and ongoing water quality management programs.

Question: How much would you estimate that the various States would have contribute, in aggregate, in order to implement the management strategies recommended in the Study?

Answer The Agency cannot provide an aggregate estimate at this time. We expect the various States to review the recommendations in the study and to determine priority implementation activities, including the timing of these activities over a number of years. The study will be completed on September 30, 1983, and we expect the States will give their attention to developing priorities and cost estimates when the report is released.

GREAT LAKES RESEARCH AND DEVELOPMENT

Question: Your budget proposal includes a reduction of $2.5 million in the Great Lakes Program research effort. What activities remain to be done in the area of identifying the factors affecting the quality of water in the Great Lakes, the circulation of pollutants, the fate of pollutants and the impact on the environment of various levels and compositions and pollutants?

Answer: Based on the commitments for research support covered by the 1978 Great Lakes Water Quality Agreement between the United States and Canada and the research accomplishments that will be achieved by the end of fiscal year 1983, the following activities would appear to be necessary to meet EPA's commitments in fiscal year 1984:

1. Development of techniques required in predicting the pathways, fate, and exposure levels of toxic substances, as necessary in determining control levels for loading rates appropriate for the protection of human health, fishery resources, and wildlife.
2. Characterization of the significance of effects of persistent and/or residues of toxic substances on human health and aquatic life.
3. Scientific support to the Water Quality Board, Great Lakes Science Advisory Board, and U.S. Department of State.
4. Technical assistance to the surveillance and monitoring activities required by the Agreement.

The Agency is not requesting any resources in fiscal year 1984 in the research account to be performed specifically on the Great Lakes. However, research activities delineated in items 3 and 4 above will be undertaken by the Great Lakes National Program office. Activities delineated under items 1 and 2 are being undertaken as part of other water quality research and development activities that are described in the answer below.

Question: You note that the water quality research relevant to the Great Lakes will be continued in other programs. Could you please describe specific water quality research activities to which you refer, the specific programs in which they will be conducted and the amount of money devoted to these activities in FY 83 and FY 84?

Answer: In fiscal year 1983 the Agency allocated $2.5 million to the Great Lakes research. The program consists of two major areas:

- Development of site-specific water quality criteria and eutrophication assessment techniques for the Great Lakes ($800 thousand).
- Development, refinement and field validation of toxic and pesticides assessment techniques for the Great Lakes ($1,640 thousand).

In addition to the Great Lakes research, many of the Agency's fiscal year 1983 research programs and fiscal year 1984 activities are relevant to the Great Lakes and will address the above indicated needs. These research activities are listed below.

A. TOXIC POLLUTANT BEHAVIOR PREDICTIVE TECHNIQUES

Significant amounts of research will be conducted in fiscal year 1983 and fiscal year 1984 on predictive techniques for evaluating the pathways, fate, and exposure levels of toxic substances in freshwater aquatic systems. They are to be funded under Toxic Substances Control Act and Clean Water Act appropriations. Although they are directed at generic toxic pollutant problems across the U.S., most of this work would be applicable to the Great Lakes toxic pollutant problems. Activities (and associated fiscal year 1983 and fiscal year 1984 funding levels) that are closely relevant to these needs are the following:

- Development, refinement, and testing of a predictive model for characterizing the pathways, persistency, and fate of toxic organic chemicals in fresh surface water systems ($800 thousand - fiscal year 1983).

- Development, refinement, and testing of a predictive model for characterizing the pathways, transformations, and fate of toxic metals in fresh surface water systems ($200 thousand - fiscal year 1983).

- Upgrading of wasteload allocation model for rivers to provide a capability for addressing toxic pollutants ($250 thousand - fiscal year 1983).

- Development of predictive methods for screening fate and environmental toxicity of new chemicals ($300 thousand - fiscal year 1983).

- Development of a technique for predicting a chemical's behavior, fate and effects based on its chemical structure ($1,900 thousand - fiscal year 1983).

- Development of validated exposure assessment methodologies ($1,160 thousand - fiscal year 1984).

- Development of transport and fate process data and protocols ($310 thousand - fiscal year 1984).

- Development, refinement and testing of wasteload allocation models and the methodologies for predicting total maximum daily loads ($910 thousand - fiscal year 1984).

The primary difference between the above planned outputs (total funding of $3.45 million in fiscal year 1983 and $3.36 million in fiscal year 1984). and similiar ones that would have been produced under the Great Lakes Research Program is that the latter ones would have been designed and calibrated to be specifically applicable to problem areas in the Great Lakes. The above planned outputs will have to be calibrated (and possibly modified) for specific problem areas before they can be applied. This final step is appropriately performed by operational (vs. research) program personnel and, thus, these outputs do in fact meet research commitments in this area.

Senator Garn—Continued

B. EFFECTS OF PERSISTENT/RESIDUE TOXIC SUBSTANCES

In fiscal year 1983 and fiscal year 1984 significant efforts will be devoted in research to the study of health and ecological impacts of toxic water pollutants. They are to be funded under the Toxic Substances Control Act and Clean Water Act appropriations. These include:

- Development of standard test for more cost-effectively and accurately determining the health effects of toxic chemicals ($400 thousand - fiscal year 1983).
- Development of standard tests for more cost-effectively and accurately determining the ecological effects of toxic chemicals ($500 thousand - fiscal year 1983).
- Development and validation of test methods for studying aquatic toxicology, terrestrial toxicology and comparative toxicology ($1,580 thousand - fiscal year 1984).
- Development, refinement and validation of protocols and methodologies to support the water quality based approach to pollution control ($1,130 thousand - fiscal year 1984).

Again the above planned outputs (total funding of $4.5 million in fiscal year 1983 and $2.7 million in fiscal year 1984) with some modification would be applicable to the Great Lakes toxic pollution problems.

C. SCIENTIFIC SUPPORT TO WATER QUALITY BOARD, ET AL

EPA, through its Duluth Laboratory, intends to continue providing scientific support to the Water Quality Board, Great Lakes Science Advisory Board, and U.S. Department of State. The cutting of the Great Lakes Research Program should have only a small impact on the level of support being provided.

D. TECHNICAL ASSISTANCE TO SURVEILLANCE AND MONITORING ACTIVITIES

Again, primarily through the Duluth Laboratory, technical assistance will continue to be provided on surveillance and monitoring activities. In addition, outputs from the Office of Monitoring Systems and Quality Assurance's water quality measurement methods standardization and quality assurance programs will be useful to these activities. Work on standard measurement methods for toxic pollutants in fresh surface waters will be funded at the $500 thousand in fiscal year 1983 and $425 thousand in fiscal year 1984. The water quality related portion of the quality assurance program is to be funded at $350 thousand in fiscal year 1983 and $175 thousand in fiscal year 1984. These efforts are intended to provide the needed standard analytical methodology and standard reference materials and the quality assurance protocols necessary to ensure data validity.

OCEAN DISPOSAL PERMITS

Question: Based on the City of New York vs. EPA lawsuit of 1981, the court overturned the anticipated phase-out of ocean disposal of municipal wastes by December 31, 1981. This decision and the subsequent revision of EPA's regulations could result in increased interest in and applications by municipalities for ocean dumping permits.

In preparing the fiscal year 1984 budget request for this function, has EPA considered the potential for an increased number of municipal ocean disposal permits?

Answer: The District Court decision in the case City of New York vs. EPA requires that EPA revise its regulations to balance the relative risks of all methods of disposal before making a determination as to whether or not an ocean dumping permit will be granted. The result of this decision is that it will induce facilities to apply for ocean disposal permits. Therefore, the Agency has considered an increased number of ocean dumping permit applications. The Agency anticipates to review, process, and issue 60 ocean disposal permits in fiscal year 1984. This projection is based on historical permit levels prior to the ban on ocean disposal and an estimate of existing permits expiring and being renewed.

Question: Are the resources requested adequate if an increase in applications materializes?

Answer: Anticipating an increased number of ocean dumping permit applications, the Agency's fiscal year 1984 budget requests an increase in personnel to review and process permit applications.

GREAT LAKES PROGRAM

Question: The Senate's fiscal year 1983 Appropriations Committee referenced needed changes in the management of the Great Lakes Program. To some extent, the report reflected the findings of a GAO study released around the same time. The Senate report stated: "The Committee expects EPA to provide the management, focus and visibility to this program that it needs in order to effectively address the problems of the Great Lakes. The Committee expects EPA to report back with suggested changes to the program on March 1, 1983."

On March 10, I received a copy of a memorandum dated February 4. This memo seems to address some of the issues raised in the Committee report but does not specifically say that it was being prepared for this purpose.

Could you please submit a copy of this memo for the record? Was this memo developed to meet the reporting requirements of the Senate report?

Answer: A copy of the February 4, 1983 memorandum follows for the record. This memo was developed to report the findings of EPA's Great Lakes Program Oversight, and in response to the GAO and Senate committee reports.

Question: Your February 4, 1983 memo notes that: "There is an immediate need to correct the inadequate coordination between and among HQ, the Great Lakes National Program Office (GLNPO), the Regional Offices, other Federal agencies, States and Canadian interests. There is a lack of basic agency-wide structure for EPA's Great Lakes activities."

What structural or personnel changes do you intend to implement to address this problem?

Answer: To implement the recommendations in the oversight report, the Office of Water designated the Office of Water Regulations and Standards as the Headquarters focal point for dealing with Great Lakes issues. It also developed a Great Lakes Program operating plan to detail and schedule the management initiatives developed through the oversight process.

Question: The memo also concludes that: "The Great Lakes International Surveillance Program (GLISP) needs to be more focused on the identified problem areas to realize maximum effectiveness. To use resources more effectively, monitoring activities of the various governmental entities must be more coordinated. It was found that monitoring and research activities are highly interdependent and must be closely interrelated."

What changes are being planned to better coordinate these activities?

Answer: To better coordinate all Great Lakes activities, particularly monitoring and research, the Great Lakes Operating Plan calls for the Office of Water to:

- establish a Great Lakes policy and oversight function and work closely with the program and technical managers of the Great Lakes National Program Office (GLNPO) in Chicago, Illinois, and with the programs of other Federal, State and local agencies.

- ensure that the Great Lakes research priorities are recognized as a priority element in the Agency's national research programs; review Great Lakes research needs annually and make recommendations to ORD.

- ensure that the Great Lakes monitoring and research programs are integrated so problems can be accurately assessed and responses can be appropriately scaled; form monitoring and research task forces to develop Great Lakes monitoring and research strategies.

Question: What level of resources do you expect to commit to monitoring activities in fiscal year 1983 and fiscal year 1984?

Answer: The Agency expects to commit approximatley $2.2 million in fiscal year 1983 and $1.8 million in fiscal year 1984 for monitoring activities in the Great Lakes Program.

Question: The memo also states that: "EPA Headquarters needs closer working relations with the International Joint Commission and its Water Quality Board and Science Advisory Board in order to ensure that the policy and technical recommendations of the Commission and its Boards are realistic and implementable."

How do you intend to deal with this issue?

Answer: The Operating Plan calls for and the Office of Water intends to increase participation in the discussions and deliberations of the International Joint Commission and its Water Quality and Science Advisory Boards, which oversee the implementation of the International Joint Agreement with Canada.

Question: Could you please prepare an implementation report on these changes for the Subcommittee?

Answer: In response to concerns of the General Accounting Office and the Candadian Government regarding the Agency meeting the Clean Water Act regarding the Great Lakes and obligations of the Great Lakes Water Quality Agreement with Canada, the Agency conducted an oversight of its Great Lakes program activities. The findings of the oversight and the management actions to be taken by the Agency are described in a February 4, 1983, memorandum which appears earlier in the hearing record.

ALTERNATE FINANCING MECHANISM FOR WASTEWATER TREATMENT PLANTS

Question: Given the lower authorized level for Construction Grants, several States have taken non-traditional approaches to financing wastewater treatment plants. I understand Colorado will be increasing its local share from 25% to 50%--thus helping to spread available Federal funds over more projects. Recently, Massachusetts approved a $357.5 million bond issue to finance water projects including $250 million for treatment plants. Other States are studying use of the new five year depreciation allowance on equipment investments as a means of attracting private investors.

How widespread is the use of these innovative financing techniques?

Answer: Use of these techniques is not yet widespread although there is considerable interest from all sectors. Various associations, professional societies and interest groups have held seminars and conferences recently to discuss innovative financing techniques. We anticipate increased use of these techniques as their procedures and successes become more widely known and as the need for local funding increases.

Some examples of efforts underway include: the New Jersey Infrastructure Bank concept; lease purchases by Philadelphia, Pennsylvania, Neola, Iowa, and Oakland East Bay Municipal District, California; bond banks in several States; and Loudon, Tennessee's joint effort with industry using industrial revenue bonds.

Question: Are these financing methods being used principally for those construction categories that are no longer eligible for Federal funding?

Answer: These methods are being used principally to finance the local share of grant funded projects and to finance the entire treatment system if it is not grant funded. Although they are not principally used for specific categories, those categories that are not eligible for Federal funding will likely comprise a significant portion of the local share.

Question: Do you have an estimate as to how much the Federal investment will be, or could be, offset through these techniques?

Answer: No. However, since these techniques are principally aimed at financing local costs, the currently planned Federal investment of construction grant funds should not be affected. If these techniques do prove successful in reducing the financial impact of less Federal funding, it may offset to some extent the need for additional Federal investment.

Question: What is EPA doing to encourage the use of such financing mechanisms?

Answer: EPA is participating in conferences, symposia, and seminars to exchange information about the innovative financing techniques that could be, or are being used. We sponsor a Management Advisory group, consisting of business, professional, State and local representatives, to evaluate and recommend management improvements for the construction grants program; a recent task group has looked into alternative financing methods. EPA also is initiating a study to evaluate the impact of reduced Federal funding and to recommend mitigative measures. The information gained from these activities, as well as from our knowledge of specific instances of innovative financing, will be transferred to our Regions and States for their use.

We will be requiring all prospective grantees to demonstrate that they have the financial and management capability to build and operate their wastewater treatment system. As part of this demonstration, the grantee must show how they are going to finance the local share. This will encourage them to investigate acceptable ways to finance their project.

USE OF VARIABLE EFFLUENT LIMITS FOR ADVANCED WASTEWATER TREATMENT PROJECTS

Question: In December, GAO issued a report concerning the potential cost savings achievable through the use of variable effluent limits (VEL's). VEL's allow levels of treatment to vary depending on the season and/or stream flow while maintaining water quality standards.

Do you agree with GAO's conclusion that VEL's could significantly reduce plant operating costs while still maintaining water quality standards?

Answer: We agree with GAO's conclusion. Furthermore, use of VEL's could substantially reduce the size of wastewater treatment facilities and allow selection of more cost-effective treatment processes resulting in capital cost savings as well.

Question: GAO recommends that EPA issue a directive pointing out the possible cost savings of using VEL's and encouraging States to use them to the extent possible when issuing initial or reissuing expired permits. EPA should also work with and provide any needed technical assistance on using VEL's to the States.

What is EPA doing to implement these GAO recommendations?

Answer: Over the past several years, EPA has strongly encouraged the States to develop VEL's when appropriate. The Agency has taken several actions to promote the use of VEL's.

In the 1976 draft Guidance for Point Source Wasteload Allocations, EPA recommended that seasonally adjusted variable wasteload allocations for certain point sources be considered. In a joint memorandum and in draft Program Guidance on Wasteload Allocations and Total Maximum Daily Loads (both of which were distributed to the Regions in 1981), EPA strongly encouraged the States to develop seasonal wasteload allocations where feasible. The Agency's current and soon-to-be revised policy on the review of advanced treatment (AT) projects by Headquarters, Regions and delegated States requires that seasonal treatment requirements be adequately evaluated in establishing AT requirements.

The Agency also is developing technical guidance on wasteload allocations and facility designs for use by Regions and States in establishing VEL's when issuing initial or reissuing expired National Pollutant Discharge Elimination System (NPDES) permits. States may develop VEL's on their own initiative. Dischargers may also retain engineering consultants to obtain necessary water quality and treatment plant operational data and, using mathematical models, develop proposed VEL's for submission with their permit applications. These proposed limits and their supporting data are reviewed by the States and, when appropriate, incorporated into permits with any necessary modifications. EPA's role in States which have assumed the NPDES program includes providing program guidance and other technical assistance and monitoring their performance.

GROUND WATER PROTECTION

Question: Your budget justification implies that in fiscal year 1984 you will devote additional resources for the implementation of your Ground Water Protection Program. In particular, you note that increased regional support will be provided for helping the States develop and implement State ground water strategies.

What resources does EPA intend to allocate to this program during fiscal year 1983 and fiscal year 1984?

Answer: In fiscal year 1983, four workyears are provided in the Headquarters program to work on developing a coordinated Agency ground water approach. In fiscal year 1984, five Headquarters positions are allocated for this program. Ten regional positions are included under the Underground Injection Control program in fiscal year 1984.

Question: What specific activities will be conducted in each of those years?

The Headquarters resources will enable EPA to establish a mechanism for coordinating the Agency's existing authorities and resources as they relate to ground water. The development of this framework includes a review of these authorities, guidance and other program recommendations to reflect a policy of protecting ground water according to its present and projected future uses. This staff will provide technical assistance to Regions for use in their work with States that are developing ground water management strategies. These strategies involve the assessment of the nature and extent of contamination threats and the identification of program approach to promote protection. This development work was scheduled to begin in fiscal year 1983 and extend to fiscal year 1984. The review by the Cabinet Council has delayed work on the publication of the ground water policy; however, the agency is proceeding with its internal coordination activities.

The regional resources will coordinate EPA's responses to States that need assistance in their strategy development work. Presently, Regions are unable to adequately address the broad issue of ground water protection, since present resources are fully allocated to the specific program responsibilities of water, drinking water and waste management. Consequently, EPA cannot provide comprehensive assistance to States in the groundwater area. In these first two years the regions will track State efforts, establishing a link between the States and EPA's development work to ensure a coordinated effort, and will extend help to the States in implementing their completed plans.

DRINKING WATER PROGRAM ON INDIAN LANDS

Question: What activities does EPA intend to undertake during fiscal year 1983 and fiscal year 1984 relative to its Public Water System Supervision (PWS) and Underground Injection Control (UIC) on Indian lands?

Answer: Relating to the PWS program, in fiscal year 1983 Regional Offices are using contract and grant funds to improve compliance among Indian systems and provide for the safety of water supplies. Systems on Indian lands have disproportionately high noncompliance rates where there are economic problems and where the Indian Health Service does not collect samples. Approximately $245,000 is available to support efforts to improve compliance. Typical projects involve system operator training on operations problems faced in small systems, cross-connection problems, microbiological sampling and analysis, and handling of hazardous water treatment chemicals as well as specific guidance on operations and maintenance. Also, the EPA funded an independent assessment of compliance problems on Indian lands lands which is expected to be completed by late spring.

In fiscal year 1984, EPA expects to continue with such assistance projects, and our Regional offices will utilize the results of the Indian Lands Assessment to achieve improvements in compliance on Indian lands.

During fiscal year 1984, full scale UIC programs will be implemented on Indian lands by EPA. Thus, the full range of UIC program activities will be performed: permitting new injection wells, the review and repermitting of existing wells, the compilation of mandated monitoring reports, the inspection of permitted wells and other compliance activities, including the schedule of mechanical integrity testing, and assessment of Class V injections.

HAZARDOUS WASTE PROGRAM

Question: During fiscal year 1984, your hazardous waste program will receive 226 permanent workyears and $110.1 million to support RCRA research and development, regulatory development, program implementation and enforcement activities. This represents a decrease of 17 permanent workyears and $6.4 million from the fiscal year 1983 level.

How much of this decrease is the result of a transfer of exploratory research funds to the Intermedia Program?

Answer: The decrease resulting from the transfer of exploratory research funds to the Intermedia Program is $2,403,700.

Question: Your budget justification indicates that during fiscal year 1984 the Agency will emphasize the development of the technical information necessary to support cost-effective implementation of land disposal and incineration regulations.

Could you please describe the research activities you intend to undertake during fiscal year 1984 in these areas?

Answer: Control technology research regarding incinerators will focus on conducting test burns in different types of incinerators to determine the combustion parameters necessary for complete destruction, and developing the sampling and analysis procedures for measuring incinerator destruction efficiency. Land disposal research will develop control efficacy data on the following: covers and the effects of subsidence; synthetic liners; clay liners and the effects of inorganic leachates; and design criteria for saturated soils. Surface impoundment research will produce technical data on detecting liner leaks, repairing liners, determining the strength and durability of seaming techniques, and evaluations of impoundment designs and operations. Monitoring research will emphasize applying monitoring technologies to measuring incinerator emissions and the integrity of landfill liners.

Question: Your justification also notes that the Agency will develop regulations for small quantity generators during fiscal year 1984.

What guidelines will be used to develop these regulations for small quantity generators and how would you expect these regulations to differ from those applied to larger facilities?

Answer: The Office of Solid Waste plans to conduct a two-year study to determine regulatory and non-regulatory alternatives for controlling hazardous waste generated by small quantity generators (SQG). As part of this study we plan to determine the type and quantity of hazardous waste generated, the manner in which these wastes are handled, and the cost of managing these wastes. We will conduct a risk analysis to determine the risk to public health and the environment from handling and disposal of these wastes.

The following possible regulatory strategies indicate the manner in which regulations for SQG could differ from those for large quantity generators: (1) SQGs' waste could be regulated based on waste type or generator type. For example, solvent generators may be subject to an exclusion level of 100 kilogram/month (kg/mo), whereas certain other SQGs may be subject to the 1000 kg/mo exclusion; (2) management standards for SQG waste could be based on quantity of waste generated. For example, generators of 100-1000 kg/mo may be required to comply with the standards for labelling, recordkeeping, and manifesting and disposal in Subtitle C facilities. Generators of 100 kg/mo or less may be required to comply with the transport and recordkeeping requirements, however, these wastes could continue to be disposed of in State approved landfills; and (3) the current 90 day site accumulation time for generators of hazardous waste could be extended to 180 days for SQGs.

Question: This year you are requesting $16.1 million for the implementation of the RCRA program. This is an increase of $3.1 million from the fiscal year 1983 level. The increase will be devoted to the processing of permits for new and/or expanding facilities and facilities which pose a severe threat to public health and the environment. Your budget justification indicates that this permitting effort is a relativey short-lived Federal responsibility and that EPA anticipates that the States will quickly assume the responsibility of operating their own hazardous waste programs.

What progress have the States made since last year to assume this responsibility?

Answer: Since January 1983, three States have received Interim Authorization for Phase II (permitting program). However, because of the authorization timeclock, many States are focusing on applying directly for final authorization. By January 1985, the Agency anticipates that 45 States will have been granted final authorization. In order to accomplish this, States will be amending and adopting regulations, and some States will be seeking legislative changes. To ensure development of "equivalent" hazardous waste programs, 29 States have requested and received pre-application statutory reviews.

Question: Your budget justification notes that there will continue to be some Federal presence necessary for guidance, model permits and other assistance to the States even after the States assume the responsibility of operating their own programs.

Have you defined an appropriate level for these activities in fiscal year 1985 and the out-years?

Answer: The RCRA program will continue to be a State-Federal partnership in fiscal year 1985 and beyond. The Agency is currently developing a national oversight policy. This policy will define oversight activities and address the appropriate level of EPA involvement in authorized States to ensure national consistency and proper adherence to the law. Implementation of the policy will give the Agency a knowledgeable and complete picture of the how the RCRA program is operating nationwide.

RESOURCE CONSERVATION AND RECOVERY ACT

Question: EPA has been issuing regulations for the permitting of hazardous waste facilities. Final regulations for storage facilities became effective in November 1981, with incinerator regulations becoming effective in December 1982. The remaining final regulations for land disposal facilities became effective January 26, 1983. In the past, EPA has estimated that it will take 8-20 years to issue all final hazardous waste permits.

Is EPA still estimating an 8-20 year period to issue all final permits?

Answer: The length of time it will take to permit all hazardous waste facilities is dependent on a number of factors that are extremely difficult to estimate, such as the permitting speed of those States that do become authorized. Furthermore the Agency's permitting effort is just underway. We cannot yet develop a valid average unit cost. Until this can be determined we cannot make a realistic estimate of how many years the effort will take.

Question: Will the majority of these permits be issued by EPA or the authorized States?

Answer: The 45 States projected to receive final authorization by January 1985 will issue the majority of hazardous waste facility permits.

Question: How many States are expected to receive authorization to issue final permits?

Answer: By January 1985, the Agency anticipates that 45

States will have been granted final authorization. In order to accomplish this, States will be amending and adopting regulations, and some States will be seeking legislative changes.

Question: What will be the impact on overall permitting time frames if fewer States than expected receive authority to issue final permits?

Answer: If fewer States than expected receive final authorization, EPA's permitting schedule will probably not be seriously affected. The Agency will negotiate Cooperative Agreements with the unauthorized States. Under these Cooperative Agreements they will continue to handle most of the permit workload. Also, in general, the States which are least likely to achieve authorization are those which have relatively few storage, treatment, and disposal facilities.

On the other hand, if one or more of the large, industrialized States fails to be authorized and is unwilling or unable to provide substantial assistance to EPA on complex permits, EPA's permit schedule will suffer. It is difficult to predict the permitting delay without knowing which States are affected and where they are located, e.g., it would result in more permitting delay if the States which do not get authorized are concentrated in just a few EPA Regions.

Question: Your fiscal year 1983 budget request to Congress included $35.1 million for hazardous waste grants to promote State hazardous waste programs. EPA's approved budget for fiscal year 1983 ultimately included $44.1 million for these grants--about a 25% increase above EPA's original estimate. For fiscal year 1984, EPA is requesting $42.5 million.

What specific increased activities will occur during fiscal year 1983 resulting from the increase in State hazardous waste grant funding?

Answer: The increase in hazardous waste State grant funds are to be used as follows:

- A minimum of 75 percent of the additional funds should be devoted to additional inspections and enforcement.
- The remaining 25 percent may be used for State priority activities, especially: (1) additional inspections, (2) permitting, and (3) program development.

The resources devoted to inspections should be sufficient to ensure that 100 percent of major facilities, 50 percent of nonmajor facilities, and 10 percent of the total of generators and transporters are inspected in each State during fiscal year 1983. These inspections must be covered before the additional grant funds may be used for other activities.

Question: What changes have occurred between EPA's fiscal year 1983 submission to the Congress and its fiscal year 1984 budget submission to support an estimate of $42.5 million in 1984 when just one year ago EPA had estimated that $35.1 million was adequate?

Answer: States holding some phase of State authorization are expected to increase from an estimated 47 in fiscal year 1983 to 50 in fiscal year 1984. Of those authorizations, the Agency estimates that States authorized to do workload-intensive hazardous waste facility permits will increase from 32 to 43 in 1984.

As more States become authorized and receive the responsibility for permitting and enforcement activities, overall State workload will increase. The increase of $7.4 million requested for State financial assistance in 1984 reflects the increased State workload resulting from increased State authorizations.

Question: Does this mean that State grants are much more important to the success of the hazardous waste program than EPA believed one year ago?

Answer: State grants have always been important to the development of adequate State hazardous waste programs and will continue to play an important role in State development until the States can implement alternative funding mechanisms capable of supporting a greater share of their programs.

Question: Grant funding to the States for RCRA Subtitle D activities was ended in fiscal year 1981. The primary justification for this action was a belief that State programs for solid waste management activities would be self-supporting and self-reliant beginning in fiscal year 1982. One of the principal activities funded under these State Subtitle D grants was the open dump inventory -- A listing of environmentally unacceptable land disposal facilities requiring either upgrading or closing. An acceptable facility was classified as a sanitary landfill. Two open dump inventories have been published -- May 19, 1981, when some 1,200 open dumps were listed and April 29, 1982, when some 2,000 were listed.

Does EPA still believe that State programs for solid waste management activities are self-supporting and self-reliant?

Answer: For a number of years we have encouraged the States to develop revenue sources so as to reduce their dependency on Federal grants. We currently do not have the information necessary to determine whether State solid waste management activities are self-supporting.

Question: What has been accomplished as a result of the two published open dump inventories?

Answer: The inventories have provided the public, including the Congress, with summary information on progress the States have made in assessing disposal facilities. They have also provided the States with information for focusing their regulatory and enforcement efforts.

Question: How many additional open dump inventories does EPA expect to publish?

Answer: We are now preparing the third inventory for publication in May. We have told the States that we will publish the results of their assessment efforts as long as they continue to provide us with the information.

Question: How much do you estimate the States are spending on Subtitle D type activities and how does this compare to your estimate of the investment needed?

Answer: In April 1982, the States had budgeted approximately $33 million for solid waste management; this figure includes some activities outside the direct scope of Subtitle D, such as litter control. We have no current information on State solid waste budgets.

In 1979, EPA estimated the total (not annual) cost to the States for conduct of the open dump inventory assessments to be $167 million. We estimate the States have examined about 10,000 facilities out of a universe of an excess of 300,000, about 3 percent of the total. Thus, the estimated cost to complete the assessments would be about $162 million (1979 dollars).

HAZARDOUS WASTE RESEARCH

Question: Please describe the changes proposed in your Hazardous Waste Research Program in FY 84.

Answer: For fiscal year 1984, the Agency requests a total of $27,389,300 and 133.9 permanent workyears. This total reflects a decrease of $1,788,700 for Salaries and Expenses and a decrease of $3,773,500 for Research and Development. The decrease occurs primarily in the Environmental Engineering program but is also a result of transferring $2,403,700 in exploratory research to the Intermedia program.

The Scientific Assessments program will not change significantly for 1984. Monitoring and Quality Assurance, however, will experience a decrease of $634,400 for Salaries and Expenses and an increase of $367,800 for Research and Development. The decrease is a result of completing one-time laboratory equipment purchases, while the increase will support a strengthened RCRA quality assurance program.

The Health research program for 1984 will reflect a decrease of $105,000 for Research and Development as a result of the transfer of exploratory research to the Intermedia program. The Environmental Engineering program, however, will be decreased by $1,215,500 for Salaries and Expenses and $3,611,300 for Research and Development. Further, a decrease of 10.3 permanent workyears is also planned. These decreases result from the following: transferring $1,561,000 in exploratory research to the Intermedia program; completion of many spill control technology projects, $949,500; completion of initial testing of advanced thermal technologies, $960,000; and completion of technical manuals for storing hazardous wastes, $846,000. Finally, Environmental Processes and Effects Research will be decreased by $371,000 for Research and Development as a result of the transfer of exploratory research to the Intermedia program.

COMPLIANCE MONITORING

Question: You indicate that the Agency will place major emphasis on compliance monitoring inspections for those facilities required to comply with groundwater monitoring requirements, incinerators and selected generators. Could you please provide for the record the number of inspections that will be conducted in fiscal year 1983 and fiscal year 1984 at facilities receiving Federal permits?

Answer: The RCRA compliance monitoring inspection strategy calls for inspections of all facilities receiving permits within one year of the permit being issued. The workload is a function of the number of permits issued in the prior year. In fiscal year 1983, EPA will inspect the four facilities that received Federal permits in fiscal year 1982. In fiscal year 1984, the compliance staff is planning to inspect the 322 facilities projected for Federal permit action in fiscal year 1983.

Question: Could you also provide for the record comparative fiscal year 1983 and fiscal year 1984 inspection data for major and non-major hazardous waste handlers and generators?

Answer:

FISCAL YEAR 1983 COMPLIANCE MONITORING INSPECTION COMMITMENTS
(COMBINED REGIONAL AND STATE)

REGION	I	II	III	IV	V	VI	VII	VIII	IX	X	TOTAL
GROUND WATER, INCINERATORS, LAND DISPOSAL	147	284	249	300	459	760*	103	106**	117	10	2535
OTHER TSD'S	353	345	753	1280	620	-	242	-	364	44	4001
GENERATORS & TRANSPORTERS	703	378	792	2336	1182	1083	749	1597	990	284	10094

* Types of facilities are combined.
**All facilities will be inspected.

FISCAL YEAR 1984 COMPLIANCE MONITORING INSPECTION PROJECTIONS
(COMBINED REGIONAL AND STATE)

REGION	I	II	III	IV	V	VI	VII	VIII	IX	X	TOTAL
GROUND WATER, INCINERATORS, LAND DISPOSAL	177	226	216	457	380	357	75	77	167	16	2148
OTHER TSD'S	139	252	158	256	347	148	73	27	162	52	1614
GENERATORS & TRANSPORTERS	528	834	656	946	1445	851	311	151	737	216	6675

RESEARCH ON HAZARDOUS POLLUTANTS

Question: Your FY 84 request for the Air Research and Development Program totals $51.2 million and 326 permanent workyears. An initiative contained in your Hazardous Air Pollutants Program provides for an increase of $1.3 million to continue the acceleration of research needed for potential National Emission Standards for Hazardous Air Pollutants (NESHAPs).

Could you please describe this program and indicate what the major milestones and accomplishments are and when they will occur?

Answer: The increase in hazardous pollutants is to provide sufficient extramural support to start assessment projects for the final 14 chemicals from the list of 37 candidate substances. This incremental funding increase together with prior year resources will ensure that all 37 substances are under assessment during the course of the fiscal year.

This fiscal year 1984 request is part of a 5 to 6 year program beginning in fiscal year 1983 to prepare health assessments of varying comprehensiveness for 44 chemicals. Thirty-seven of the candidate substances come from the OAQPS "List of 37" while the remaining seven chemicals on the work agenda recognize supplemental priorities. It is anticipated that an average 8 to 10 documents would be drafted, reviewed and delivered for Agency use during each fiscal year beginning in fiscal year 1983.

Question: Could you please provide, for the record, a description of the 13 permanent workyears and an $8.2 million reduction from the FY 83 level that was taken in this program area?

Answer: The reduction in resources from fiscal year 1983 to fiscal year 1984 for the air research and development program results from the transfer of $4.5 million in exploratory research resources to the Intermedia Program and the completion of research in several major areas.

In the monitoring systems and quality assurance program, the decrease results from: (1) reduced support for research on exposure work for unregulated mobile source pollutants; (2) the completion of carbon monoxide field studies; (3) the eliminated need to support diesel health studies; (4) the completion of research on indoor air pollution; (5) the completion of research on the National Atmospheric Pollution Background Network; and (6) the transfer of the IP network to the States.

In the health effects program, the decrease results from the completion of diesel health studies and a one-time addition to the fiscal year 1983 budget for the Health Effects Institute.

In the environmental engineering and technology program, the decrease results from the completion of research on capture systems for spray painting and the completion of an evaluation of the use of flares in the petrochemical industry. The decrease also results from the shift in emphasis from developing emission reduction technologies to evaluating such technolgies.

In the environmental processes and effects program, the decrease results from: (1) a one-time increase in the fiscal year 1983 budget for methods development in the mobile sources research program; (2) decreased support for developing a diesel risk assessment and characterizing emissions from automotive synfuels; (3) the completion of research on biogenic emissions; (4) the completion of field tests on the effects of ozone on crops; and (5) reduced support for regional model development.

PESTICIDE RESEARCH

Question: Please describe your research efforts in the pesticide area in FY 84.

Answer: The fiscal year 1984 Pesticide Research program will continue at basically the same level of effort as in fiscal year 1983. The program will continue to provide testing methods for use by industry in the registration/re-registration process and by the Office of Pesticide Programs for test guideline development. Research efforts will continue for risk assessment and quality assurance support.

Specifically, in the scientific assessment area, we will continue support for preparation and review of FIFRA risk assessments. In the monitoring systems and quality assurance area, we will increase support for pesticide repository services and continue support for interlaboratory comparison studies. In the health effects area, we will continue to support registration and re-registration activities through test development efforts in support of FIFRA test guidelines. The health program will also continue the interagency agreement with the Department of Labor to determine risk exposure of children to agricultural pesticides as well as other sensitive farmworker populations. In the environmental processes and effects area, we will continue to support the Office of Pesticide Programs through risk assessment research, test methods development, and development of techniques to determine adverse pesticides exposure in aquatic and terrestrial environments.

PESTICIDES PROGRAM HIGHLIGHTS

Question: Your budget justification indicates that EPA intends to exempt selected types of pesticide products from full review procedures.

What criteria will EPA use in order to determine which pesticides should be exempt from a full review?

Answer: The Agency is charged with registering new pesticides and reregistering previously registered pesticides to protect the public against unreasonable adverse effects resulting from use of pesticides. The public will not benefit from a full review of certain pesticides. These include:

a) New pesticide active ingredients first registered after January 1, 1977. These pesticides already have an appropriate data base which was existent when the pesticide was first registered and reviewed. We have no reason now to believe that they would benefit from any additional review as part of the reregistration effort.

b) Pesticides adequately regulated by another agency. The Food and Drug Administration (FDA) has concurrent jurisdiction with the Agency over many pesticides used against microorganisms. Regulation by FDA is usually adequate to make additional regulation unwarranted under authority of the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA). When that is the case, jurisdiction over the pesticides will be ceded to FDA under authority of FIFRA Section 25(b)(1).

c) Pesticides for which continuing regulation under FIFRA is not necessary in order to protect the public from unreasonable adverse effects. This will be the case when:

1) it is known that the toxicity of the product is so low that exposure high enough to cause harm to non-target organisms is highly unlikely, or

2) the substance is naturally occurring and it is known that its pesticidal uses do not substantially increase exposure or risk above that which is due to unavoidable natural causes.

A regulation is under development to exempt some pesticides from FIFRA under authority of FIFRA Section 25(b)(2) without a full reregistration review.

The only potential risk from some of these candidate pesticides which prevent full exemption under FIFRA Section 25(b) is the risk of accidental poisoning. When that risk can be mitigated by specifying use directions and providing precautionary information to the users on the label and/or by requiring child resistant packaging, the pesticide will be exempted from FIFRA notwithstanding that risk, if it bears the required labelling or uses the required package. Ability to enforce against misbranding (i.e. mislabeling) will be retained.

Examples of pesticides which are candidates for exemption from all the requirements of FIFRA are sulfur, carbon dioxide, citric acid and potassium sorbate, a common food additive.

Question: You indicate that one of your FY 84 priorities will be to further reduce the registration processing backlog.

How many new registration applications and amended applications were pending in FY 80, FY 81, FY 82 and FY 83?

Answer: The following table shows total uncompleted actions for fiscal year 1980 through fiscal year 1983. The number of uncompleted actions backlogged (late) is shown in parenthesis. (This information is not available for fiscal year 1980).

	FY 1980 End	FY 1981 End	FY 1982 End	FY 1983 As of 2/28/83
New Chemicals	43 (na)	41 (12)	50 (1)	80 (9)
New Biologicals	*	4 (0)	6 (0)	19 (0)
Old Chemicals	1095 (na)	2017 (397)	1044 (10)	1257 (36)
Amended Registrations	395 (na)	1331 (167)	893 (5)	1038 (24)

*Included in fiscal year 1980 total for new chemicals

Question: What goals have you established for the processing of these applications during FY 84?

Answer: The fiscal year 1984 processing target for new registrations and amendments is to complete 95 percent of all actions within the self-imposed processing deadline for each of four Projected Program Accomplishments (PPA's) involved and to have no backlogs carried into fiscal year 1985. The processing deadlines are as follows:

New Chemicals	190 days
New Biologicals	150 days
Old Chemicals	110 days
Amended Registrations	190 days

Question: What criteria have been established to prioritize the processing of these applications?

Answer: The target times for new chemicals and new biologicals are based on the following criteria: whether the new chemical or new biological is a substitute for another chemical posing greater risk; whether there is seasonal concern; whether the chemical is for a minor use; and whether it is a critical element as part of an integrated pest management (IPM) program. The time allotted for scientific reviews also reflects whether the action is a resubmission and whether the review is expected to take a very limited amount of time.

The primary criterion used to set the scientific review time for old chemicals and amendments is whether public health or quarantine situations are involved. The target time is also contingent upon seasonal concern, minor use, and IPM factors. Consideration is also given to whether the action is a resubmission and to the time required to complete the review.

Question: Your budget justification indicates that EPA will seek to assess fees or other charges for direct agency services provided to registrants in registering pesticides.

Could you please describe the types of activity that you expect to be reimbursed for?

Answer: The Agency expects to charge fees for activities that provide special services to registrants, such as: new chemical and biorational reviews, old chemical reviews, amendments to registrations, and experimental use permits. Under current thinking, fees are not planned for services which do not provide special benefits to registrants but rather benefit large portions of society. These services would include: laboratory audits, emergency exemption reviews, establishment of registration standards, special reviews (RPAR), etc.

Question: How do you intend to establish the fee schedule -- will it be based on fully recoverable costs or some other criteria?

Answer: The fee schedule is expected to recover all reasonable direct and indirect costs associated with providing the special services. Some exemptions and waivers of fees will be made based on criteria that are under development. Consideration will be given to several factors including: the potential impacts on small businesses, economic incentives associated with minor use registrations, and work requested by state and local governments.

RADIATION RESEARCH

Question: What specific activities does EPA intend to undertake during fiscal year 1984 relative to the disposal of low-level radioactive waste?

Answer: The Agency is in the process of setting generally applicable environmental standards for low-level radioactive waste disposal. In fiscal year 1984 we will complete our technical analysis of the health risk and cost-effectiveness of various methods of low-level radioactive waste disposal. This analysis will be documented in a draft Environmental Impact Statement. A standard will be developed based on this analysis and proposed about the middle of the year. The public comment period and public hearings will be conducted later in the year with the goal of promulgating a final standard in fiscal year 1985.

Question: What additional scientific information is necessary in order to make a decision as to the safe disposal of low-level radioactive wastes in the oceans?

Answer: There are international and national criteria for disposal of certain low-level radioactive waste that, if followed, should provide reasonable protection to the environment and human health. Studies of past U.S. dumpsites and information obtained from monitoring at the present Northeast Atlantic dumpsite have not found any evidence of harm to man or the environment. To decide whether to recommend granting a permit for disposal of low-level wastes, additional information is needed on the characteristics and behavior of the particular waste to be disposed of and the specific characteristics of the proposed disposal site. The largest and most expensive of these efforts is likely to be the evaluation and selection of a suitable site. This would include information on site biota, bottom charateristics, and bottom currents.

RADIATION MONITORING AT THE NEVADA TEST SITE

Question: One of the missions conducted under your Radiation Monitoring System and Quality Assurance Program is the off-site monitoring at the Nevada Test Site. Your budget justification states that the monitoring at this and other sites will, as in the past, be conducted at the request of DOE.

Will DOE continue to reimburse EPA for all of the costs involved?

Answer: Yes, DOE will be reimbursing EPA for all costs involved in monitoring these sites.

Question: What resources will be devoted to this program in 1983 and 1984?

Answer:	Fiscal Year 1983	Fiscal Year 1984
	$3,334,000	$3,614,000
	52.0 PFTE	52.0 PFTE
	9.0 OPFTE	9.0 OPFTE

RADIATION PROGRAM

Question: Your budget justification notes that while some exposure to radiation is inevitable, you take the position that no avoidable risk attributable to such exposure should occur to individuals or to the environment without "offsetting benefits." In your efforts to define the levels of "acceptable radiation," what types of offsetting benefits are considered "justifiable?"

Answer: The full statement to which you are referring states "while some public exposure to radiation is inevitable, no avoidable risk attributable to radiation exposure should occur to individuals or to the environment without offsetting benefits". This policy has served as a general goal in guiding our development of regulations to limit future environmental radiation releases. As our general goal, it is subject to the specific requirements and constraints of the different laws under which we operate. This policy should not be interpreted as requiring or endorsing any particular analytical approach or risk/benefit criteria in making a regulatory decision. Each particular regulatory judgement requires an analytical approach which best characterizes that problem in relation to the regulatory framework through which we are operating. As a consequence, the identification of benefits may vary for any particular regulatory decision, from the identification of direct benefits to the individual exposed (i.e., medical x-ray) to the identification of generalized benefit to society as a whole, independent of who is exposed (e.g., nuclear power or national defense). Again, how this range of factors is applied must be dependent upon the individual regulatory situation and applies only to regulatory control of future exposure.

Question: How is the term "avoidable risk" defined?

Answer: The term avoidable risk as referred to in this policy statement primarily addressed a distinction between enhanced radiation exposure resulting from human activity and radiation exposure which is the result of "natural background radiation." Sources of exposure to background radiation like cosmic radiation and naturally occurring radioactive materials found in common soil, water and air are not the direct result of human activity. As a consequence we have not attempted to limit public exposure to natural occurring levels of such radiation exposure through the development of regulation.

Question: Your budget request indicates that the nonionizing health effects program has been eliminated in fiscal year 1984 due to the completion of health research needed for publication of a guidance document. When will the guidance material be available?

Answer: The Agency published a notice in the Federal Register on December 23, 1982, which stated our intention to develop guidance for Federal agencies to limit exposure of the public to radiofrequency radiation (nonionizing). The Agency plans to publish a Notice of Proposed Recommendations in late 1983 and will announce a schedule of public hearings. Coincident with the Notice of Proposed Recommendations, the Agency will publish a Background Information Document that summarizes the health effects and environmental levels of radiofrequency radiation. The Background Information Document will also examine the economic impact of guidance and methods of implementation.

The Agency is preparing a critical and comprehensive review of the literature on the biological effects of radiofrequency radiation. This literature review will be submitted to an ad hoc panel of the Agency's Science Advisory Board. The Science Advisory Board panel will critique the literature review in an open meeting in late spring or early summer 1983; the date and place of the meeting will be announced in the Federal Register.

The final guidance should be issued within one year of the proposed guidance, i.e., in fiscal year 1984.

EXPLORATORY RESEARCH

Question: Your Exploratory Research program is slated to continue at the same level of funding in FY 84 as will be available in FY 83. However, you note that the Agency is instituting management changes in the Research Centers and Grants program that will enable the program to focus more effectively on long-term Agency needs. Could you please describe these changes?

Answer: We feel that we must devise a long-range strategy for both the Grants and Centers programs that can be incorporated into the grants solicitations and into the missions of the Centers. We are also assessing ways to improve the relevancy review of grant applications. A current ongoing review of the Centers is disclosing the need to improve the management guidance and direction that they receive from the Agency; steps will be taken to provide this management.

Question: Could you please provide for the record, a list of each of the Exploratory Research Centers, their major functions and the amount of funds they will be receiving in FY 83 and FY 84?

Answer: The eight Exploratory Research Centers and their major functions are as follows:

> The Ultimate Waste Elimination Center (Illinois Institute of Technology) is examining innovative approaches and process modifications to reduce and eliminate pollutant byproducts while maintaining or enhancing the productivity of the manufacturing processes.
>
> The Intermedia Transport Research Center (University of California, Los Angeles) focuses on defining the chemical/physical processes which govern the exchange of pollutants at the air-land and air-water interfaces; emphasis is on the movement of toxic chemicals and trace elements which are currently poorly understood.
>
> The Ecosystem Research Center (Cornell University) is developing systems-level ecological concepts appropriate for environmental protection decisions. A key objective of this Center is to determine which ecological principals are most important when making environmental decisions.
>
> The Marine Research Center (University of Rhode Island) is addressing effective measurement and assessment of the health of marine ecosystems and the significant sources, pathways and processes that influence exposure of man or marine ecosystems to toxic substances.
>
> The Advanced Control Technology Research Center (University of Illinois, Urbana) is undertaking four research planning studies in the areas of separation technology, thermal destruction, biological separation and chemical detoxification. Results of these studies will form the basis for specific research projects.

The Groundwater Research Center (a consortium of the University of Oklahoma, Oklahoma State Univeristy and Rice University) has conducted workshops and seminars in conjunction with appropriate EPA investigators to design specific research projects in the areas of transport and fate, characterization of the subsurface environment and modeling of the groundwater horizon.

The Epidemiology Research Center (University of Pittsburgh) defines problem research areas in airborne particulates, indoor exposures, drinking water, cardiovascular disease and basic epidemiological methodology.

The Hazardous Waste Center (Louisianna State University) conducts research in the area of treatment and disposal of hazardous wastes.

Funding for the Centers is as follows:

Research Center 1/	FY 1983 (000)	FY 1984 (000)
Groundwater	420	420
Advanced Control Technology	2/	420
Epidemiology	420	420
Marine Sciences	420	420
Industrial Waste	420	420
Intermedia Transport	420	420
Ecosystems	420	420
Hazardous Waste	3/	420

1. Includes exploratory research funds only.
2. Funded at $700K with fiscal year 1982 funds.
3. Funded at $500K with Fiscal year 1982 funds.

INTERDISCIPLINARY PROGRAM

Question: Your budget justification indicates that the proposed decrease in staff in your Exploratory Research program is the result of a decision to concentrate on a long range strategy that will result in EPA's research grants program being managed through the National Science Foundation. It is my understanding that this transfer of responsibility is no longer expected to occur in fiscal year 1984.

What was the original rationale for this transfer?

Answer: In the budget submission, the Environmental Protection Agency (EPA) indicated a transfer of $4 million, out of a total of $10 million, to the National Science Foundation (NSF) to administer part of the long-term grants program. EPA had intended to assess, on a pilot basis, potential improvements that might accrue from the transfer of the entire grants program to NSF. Since that decision was made, discussions between EPA and NSF have convinced both agencies that the transfer would not serve the long-term interests of the grants program. The proposed pilot transfer of $4 million in 1984 has, as a result, been withdrawn. EPA will administer the entire $10 million 1984 program itself.

Question: Does EPA intend to pursue the possibility of a transfer at a later date?

Answer: No. EPA does not intend to pursue the possibility of a transfer at a later date.

Question: How many permanent workyears were eliminated from the fiscal year 1984 request in anticipation of such a transfer?

Answer: In the 1984 submission, 5.1 full-time workyears were eliminated.

Question: Is it now necessary to restore these workyears?

Answer: We are currently assessing the resources of this program and will provide adequate resources to manage it.

Question: You are requesting $1.9 million and 47 permanent workyears to support the Federal Agencies Compliance program to insure that actions undertaken by Federal agencies in their facilities comply with pollution control requirements.

Please describe this effort and resources devoted to it in fiscal year 1982 and fiscal year 1983.

Answer: The Federal Agencies Compliance Program addresses two aspects of EPA's responsibility. It deals with adherence by Federal agencies to Section 309 of the Clean Air Act (CAA) as it relates to the National Environmental Policy Act (NEPA) and with compliance by Federal agencies with substantive and procedural pollution abatement regulations pursuant to Executive Order 12088.

The program will continue to undertake environmental assessments of Federal agency actions required by Section 309 (CAA) and NEPA. In addition, with regard to compliance problems at Federal facilities, the program will continue to provide technical advice and assistance, monitor facilities' compliance, and resolve disputes.

The resources devoted to Federal Agencies Compliance in fiscal year 1982 were $2,006.8 thousand and 56.8 permanent workyears, and in fiscal year 1983 are $1,834.0 and 46.8 permanent workyears.

Question: This year you are requesting 214 permanent workyears and $11.7 million for your Enforcement Policy and Operations and Technical Support within the Office of Legal and Enforcement Counsel. This represents an increase of 3 permanent workyears and $1.1 million. I understand that there has been a shift in emphasis in this program away from providing technical support for your compliance effort and towards an increase in your legal enforcement activities. Could you please describe this change of emphasis and the rationale for it?

Answer: The shift in emphasis relates primarily to the National Enforcement Investigations Center (NEIC) in Denver, Colorado. Previously this organization provided routine technical support to Agency compliance efforts such as the drafting of complex National Pollutant Discharge Elimination System permits, laboratory analysis of suspect leaded gasoline samples, and laboratory analysis of pesticide product samples. These types of compliance technical support functions are now the responsibility of the media enforcement programs. The NEIC now focuses its technical support on specific litigation cases. The Office of Legal and Enforcement Counsel as a whole is now responsible only for these aspects of the enforcement program that involve legal issues.

TOXIC SUBSTANCES - RISK ASSESSMENT

Question: Your budget justification indicates that in FY 84 the Agency has increased its support for research that will improve your ability to assess the risk to human health posed by toxic chemicals.

What specific activities do you intend to undertake in the risk assessment area during FY 84?

Answer: While risk assessments on toxic substances are not performed in the health research program, the program does conduct studies whose results will improve the Agency's capability to perform risk assessments. These activities are directed primarily toward improving predictions of toxicity based upon similarities in chemical structure, improving extrapolations from high dose to low dose, and improving extrapolations from animal species to humans. There are two specific activities planned for fiscal year 1984, listed below:

- Research on Chemical Structure-Activity Relationships (SAR)

  We have two goals in this area of research:

  (1) to develop a method which can use data on molecular structure descriptors or combinations that will predict genetic and carcinogenic activities using pattern recognition and statistical techniques; and

  (2) to construct a chemical data base in several areas of toxicological response and relate each to effects upon individual organ systems.

- Development of Models to Improve Risk Assessments on Toxic Substances

  The goal of research in this area is to develop and evaluate testing methods for three purposes:

  (1) to determine which laboratory test animal species best approximate the human response;

(2) to determine the chemical reactivity of metabolic intermediate compounds; and

(3) to improve biological - mathematical extrapolation models.

- The approach will be based on development of quantitative dose-response relationships among various in vitro and in vivo test systems.

Question: . Does EPA intend to undertake this assessment through in-house resources or through contract research?

Answer: We intend to use in-house resources as well as contracts and other extramural resources to perform this research, with resources planned for fiscal year 1984 as shown below:

- Research on Chemical Structure-Activity Relationships

	In-House	Extramural	Total
FTE	8.0	-	8.0
Dollars (000s)	$374.3	$538.1	$912.4

- Development of Models to Improve Risk Assessments on Toxic Substances

	In-House	Extramural	Total
FTE	12.5	-	12.5
Dollars (000s)	$1299.1	$2316.1	$3615.2

Question: Please list the specific contracts related to risk assessment by principal investigator, project title and project costs that are under contract during FY 83. Please indicate which of these contracts are likely to be continued in FY 84 and what additional contract work, by topic, might be undertaken in FY 84.

Answer: The requested list of contracts appears below, with fiscal year 1983 costs shown and a designation as to whether the contracts are planned to be continued in fiscal year 1984. EPA project officers are listed instead of principal investigators. Additional contract work to be undertaken in fiscal year 1984 beyond the continuations shown is under consideration at present, and decisions have not yet been made about these contracts.

	FY 1983	Continue in FY 1984?
- SRI International "Evaluation of Chlorinated Aliphatics in the Rat Liver Foci Assay" Dr. Stephen Nesnow	$125,000	No

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	FY 1983	Continue in FY 1984?
- (Not Yet Awarded) "Develop Improved Statistical Methods for Time-Varying Exposures to Mutagenic and Toxic Substances" Dr. John Creason	$32,500	No
- Midwest Research Institute "Chemical Synthesis of Dinitropyrenes" Dr. Stephen Nesnow	$9,600	No
- National Research Council "Quantitative DNA Adduct Dosimetry and Application to Risk Assessment" Dr. Stephen Nesnow	$90,000	Yes
- Northrop Services Corporation "Quantitative DNA Adduct Dosimetry and Application to Risk Assessment" Dr. Stephen Nesnow	$128,400	Yes
- Northrop Services Corporation "Detection of Point Mutations in Sperm by Immunological Procedures" Dr. Michael Waters	$57,200	No
- Northrop Services Corporation "Cytogenetic Studies of Mutagenic Effects on Mammalian Germ Cell Processes" Dr. James Allen	$36,000	Yes
- SRI International "Sequential Testing Strategy for Evaluation of Mutagenicity and Carcinogenicity of Environmental Chemicals" Dr. Michael Waters	$90,000	Yes
- Northrop Services Corporation "Technical Support for Developmental Biology Research on Toxic Chemicals" Dr. Earl Gray	$17,800	Yes
- Northrop Services Corporation "Effects of Potential Cardiovascular Teratogenic Agents on Fetal Electrocardiograms" Dr. William Wathinson	$30,100	Yes

- Rockwell International "Software Development for Automated Data Acquisition in Neurotoxicology Research Programs" Dr. Gerald Nehls	$2,300	No

TOXIC SUBSTANCES - ENFORCEMENT PROGRAM

Question: Your FY 84 Budget includes an increase of eight permanent workyears and $900,000 for TSCA compliance monitoring over the FY 83 levels.

What specific activities will this increase support?

Answer: One portion of this increase in permanent workyears (3.3 PFTE) represents a decision to shift from the Headquarters Office of Legal and Enforcement Counsel budget to the Headquarters Office of Pesticides and Toxic Substances Enforcement budget those resources which the National Enforcement Investigations Center (NEIC) in Denver devotes to toxic substances program support. With these resources NEIC will continue to provide compliance monitoring inspector training, field investigation support for Toxic Substances Control Act (TSCA) activities and chemistry analyses of Polychlorinated Biphenyl (PCB) samples. In fiscal year 1984, NEIC will provide 1,500 PCB analyses.

The regional increase (4.9 PFTE) will be devoted to monitoring the TSCA Section 13 imports rule being promulgated by the U.S. Customs Service. EPA and the U.S. Customs Service are implementing a cooperative regulatory program pursuant to which the Customs Service will screen chemical imports for compliance with TSCA. Suspect shipments will be referred to EPA for investigation and, where appropriate, enforcement action.

Question: I understand that additional resources will also be provided to support the U.S. Customs Service for increased surveillance of imported chemical substances.

Could you please describe the nature of this support to the U.S. Customs Service?

Answer: Section 13 of TSCA authorizes the Secretary of the Treasury to refuse entry into the United States of any chemical not in compliance with all TSCA rules and orders. Under procedures jointly proposed by EPA and the Customs Service (45 Federal Register 79726, dated December 1, 1980), chemical importers would certify in writing to Customs Service officials at the time of import that the chemical is in compliance with all rules and orders issued under TSCA.

The EPA's role in administering TSCA Section 13 includes providing the Customs Service with information as to which chemical substances, mixtures, or articles have been regulated under TSCA, reviewing entries which have been flagged by the Customs Service as possibly in violation of TSCA; reviewing product labeling, taking samples where appropriate; and assisting the Customs Service with disposal problems when necessary.

The goal of EPA's program is to ensure that imported chemicals are in compliance with TSCA both to protect human health and the environment and to ensure that domestic chemical manufacturers are not at a competitive disadvantage in the United States. Since foreign manufacturers are not subject to U.S. enforcement jurisdiction, EPA must focus on importers of toxic substances and on stopping violative chemicals at the port of entry.

Question: Has any such support been provided by EPA in the past?

Answer: For many years, EPA and the U.S. Customs Service have operated a cooperative program to monitor imported pesticides to assure compliance with the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA). Under this cooperative pesticide import surveillance program, the Customs Service reviews, at the point of entry, papers and forms which are required to accompany imported pesticides. For pesticides, these papers include a Notice of Arrival form notifying EPA of the arrival. If the papers are not in order, the shipment is detained, the EPA Regional Office is notified, and EPA investigates the matter. EPA and the Customs Service have also worked informally together to monitor compliance with the import provisions of the PCB Rule.

Final rules for the administration of Section 13 of TSCA have not yet been promulgated, but EPA envisions that the TSCA program will be implemented in a manner which will complement the established FIFRA program. The two programs will be administered within EPA by the same staff both at headquarters and in the Regions. Thus, the new TSCA imports surveillance program will have the benefit of personnel who are experienced in imports work and will benefit from economics of scale attributable to integration with the pesticide imports program.

Question: What specific chemicals will be targeted?

Answer: The chemicals which will be targeted by EPA's import surveillance program fall into two categories: (1) existing chemicals which are subject to regulations or orders under TSCA Sections 4, 5, 6 or 7 and (2) new chemicals for which a premanufacture notification is required. The chemicals which are regulated under TSCA include: polychlorinated biphenyls (PCBs), asbestos, chlorfluorocarbons (CFCs), and chemicals subject to Section 5(e) orders. As the Agency regulates additional high risk chemicals, the imports surveillance program will expand to include each newly regulated substance.

The chemicals which belong to the second category are all chemicals, whether domestic or foreign, which are not on the TSCA Inventory. Because the chemical identity of imported chemicals is difficult to determine, monitoring new chemical imports will require close cooperation between the Customs Service and EPA. EPA is also proposing to seek the help of regulatory officials in exporting countries in identifying new chemicals produced for commercial use in the United States.

TOXIC SUBSTANCES - ASBESTOS CONTROL

Question: Your budget justification identifies asbestos control as a major FY 84 activity.

How many agencies are involved in this government-wide asbestos control program?

Answer: The Federal Asbestos Task Force is now composed of EPA, the Occupational Safety and Health Administration and the Consumer Product Safey Commission. These three agencies will invite other agencies to join when the charter is signed. These agencies are the Food and Drug Administration, Mine Safety and Health Administration, National Cancer Institute of Environmental Sciences and the National Institute for Occupational Safety and Health.

In addition, EPA is assisting numerous Federal agencies who are involved with controlling asbestos contamination of their buildings (e.g., Veterans Administration, General Services Administration, Housing and Urban Development, Department of Defense, State Department). There are over 20 Federal regulations which control various types of asbestos uses or exposure situations.

Question: What are the resources that will be devoted to this program for each agency during FY 83?

Answer: The purpose of the Federal Asbestos Task Force is not to assess the resources being expended across the Federal government on Asbestos control activities. The purpose of the Task Force is to develop a unified approach to Asbestos control. Our role as chair of the Task Force is to coordinate the development of that Federal strategy; that role does not give us access to the budgets of the other Federal agencies on the Task Force. Such information should be requested directly from those agencies.

In fiscal year 1983, under TSCA, EPA has 12 total workyears and $1,500,000 in extramural support for abatement and control activities and 6.7 total workyears for compliance monitoring activities. The compliance resources are devoted to monitoring compliance with the Asbestos Reporting Rule and the Asbestos-in-Schools Rule.

In the area of asbestos in buildings, abatement and control resources are used to implement the Asbestos-in-Schools Identification and Notification rule and manage the Technical Assistance Program for friable asbestos containing materials in buildings. For commercial and industrial uses of asbestos, these resources are used to implement the TSCA Section 8(a) asbestos industry reporting rule and utilize collected information to identify uses of asbestos that present unreasonable risks. In addition, these resources support EPA's participation in the Federal Asbestos Task Force.

Question: What are the resources that will be available from each agency during FY 84?

Answer: In fiscal year 1984, both TSCA abatement and control, and compliance resources are anticipated to remain at approximately the fiscal year 1983 level. Again, OTS does not have access to resource information at CPSC and OSHA.

Question: What are the specific goals and milestones for this program over the next several years?

Answer: During the next several years, the TSCA abatement and control program plans to evaluate the effectiveness of the Asbestos-In-Schools rule and continue the Technical Assistance Program that provides assistance to schools and other buildings that contain friable asbestos materials. We plan to survey other public nonschool buildings, determine the magnitude of friable asbestos in such buildings, and decide on an appropriate response.

In the area of commercial uses of asbestos, we plan to complete implementation of the TSCA Section 8(a) asbestos industry reporting rule, analyze the data, and make the information publicly available. The purpose of obtaining the industrial data is to assist the Agency to identify uses of asbestos that present unreasonable risks. Within this time, we plan to issue proposed and final rules controlling specified uses of asbestos that present unreasonable risks.

Finally, we plan to lead the interagency effort needed to complete the work of the Federal Asbestos Task Force and develop a unified Federal approach towards asbestos.

The Compliance Program will investigate referrals indicating noncompliance with the Asbestos-in-Schools rule. Since we believe that there is probably significant under-reporting for the rule, one of the goals of the compliance monitoring program is to identify schools that should have reported. Another goal is to verify 2-5 percent of the forms submitted to the Agency under the Section 8(a) rule. This not only enforces requirements of the rule but will assist the Office of Toxic Substances in their evaluation of the integrity of the data collected in response to this Rule.

TOXIC SUBSTANCES - TEST DATA DEVELOPMENT

Question: The FY 84 budget includes an increase in resources to support additional test data development activities for chemicals identified by the new and existing chemicals program.

What additional resources will be available in FY 84 over the FY 83 level for the development of test data?

Answer: As a result of the completion of the major test guidelines work within the Office of Toxic Substances (OTS), we are able to shift approximately $385,000 in extramural resources and 12.9 total workyears to test data development activities. Total resources planned for test data development in fiscal year 1984 are $7,362,000 and 92.5 total workyears.

Question: At the same time you are requesting a decrease in resources from test guidelines development. On what basis are you requesting this decrease?

Answer: The preliminary work in test guidelines for OTS focused on pulling together the state-of-the-art on existing methodologies.

This preliminary work is complete and test data studies are being generated by industry under negotiated testing agreements. Therefore, OTS is shifting emphasis to the evaluation of data produced, using recently published protocols, and the audit of laboratories to ensure good quality data is produced. The credibility of data produced under negotiated testing agreements depends on the validation of both the testing results and the manner in which the tests were conducted.

OTS will concentrate on the review of all test guidelines annually, as required by TSCA, but will utilize existing review procedures and resources for this annual review. OTS also has some resources devoted to the development of new test guidelines in areas not yet covered in the guidelines we have recently published.

Under the Agency's research and development program, the development of new and more efficient testing methodologies is still necessary. These newer methodologies will be incorporated into existing test guidelines as they become available.

PREMANUFACTURE REVIEWS

Question: You anticipate that the nature of the new chemical review program will change in FY 84 due to the continued increase in the new chemical submissions and the scheduled promulgation of Section 5(h)(4) exemption rules in FY 83.

What do you anticipate the nature of these changes to be?

Answer: The promulgation of TSCA Section 5(h)(4) exemption rules in 1983 will exempt certain classes of low-risk chemicals from full premanufacture notice review requirements. The nature of the change in the new chemical review program is that we anticipate up to one-half of the expected 1,300 new chemical notices will be eligible for an abbreviated review. The specific nature of the abbreviated review will be different for each rule depending upon the specific Section 5(h)(4) exemption rule under which they qualify.

Question: How will you identify those chemical substances that will be eligible for an abbreviated review process?

Answer: When promulgated, the final exemption rules will identify the categories of chemicals that will be eligible for abbreviated review. Manufacturers must submit either an exemption notice or limited PMN to EPA in order to use the exemption.

EPA will review these submissions within the abbreviated review period to determine if the new chemicals meet the exemption criteria. In situations where they do not meet the criteria, EPA will deny the exemption.

Question: How many of the expected 1,300 new chemical notices that are received in FY 84 will be eligible for exemption from the full Premanufacturer Notice Review?

Answer: We estimate that up to one-half of the 1,300 new chemical notices expected in fiscal year 1984 will be eligible for one of the exemption rules. In making this projection, we have assumed that the types of chemicals which will be submitted will be similar to those we have received in past years. We have also assumed that manufacturers who would be eligible for the exemptions would elect to utilize them. Of course manufacturers may choose to submit a PMN if they prefer.

Question: What will be the major basis for such exemptions?

Answer: The Office of Toxic Substances of EPA has proposed exemption rules for specific classes or categories of chemicals which have demonstrated low levels of concern in the PMN process and which meet certain criteria. However, EPA is currently considering modification of these criteria.

The statutory criteria for exempting chemicals from the Premanufacture Notice review process is a finding that such chemicals will not present an unreasonable risk. In making that finding in the proposed exemption rules, we considered (1) our experience in reviewing new chemicals for the past 3 years, (2) the risks associated with existing chemicals as a surrogate for future risks, and (3) the benefits of the proposed exemption.

Generally speaking, we have proposed to exempt chemicals that are not expected to present significant toxicity concerns. Both the site-limited intermediate and low volume proposed exemption rules are based primarily on low toxicity concerns while the polymer exemption is based on physical-chemical properties and chemical category exclusions. We have supplemented these risk-based criteria with provisions that require EPA review of the majority of exempt chemicals, as well as industry review by a qualified expert for site-limited intermediate and low-volume chemicals.

TOXIC SUBSTANCE PROGRAM - PREMANUFACTURE NOTIFICATION REVIEW

Question: You note that EPA is promulgating rules to exempt chemicals with little or no risk from the Premanufacture Notification Review. This activity is evidently being undertaken to minimize regulatory burden and to concentrate more on chemicals with potential risk.

What criteria have been developed to identify those chemicals that can be exempt from the review process?

Answer: The statutory criteria for exempting chemicals from the Premanufacture Notice review process is a finding that such chemicals will not present an unreasonable risk. In making that finding in the proposed exemption rules, we considered (1) our experience in reviewing new chemicals for the past 3 years, (2) the risks associated with existing chemicals as a surrogate for future risks, and (3) the benefits of the proposed exemption. These factors led to the exemption provisions that were proposed on August 4, 1982. In essence, these provisions represent one set of criteria that have been developed to identify chemicals that can be exempt from the review process.

Generally speaking, we have proposed to exempt chemicals that are not expected to present significant toxicity concerns. Both the site-limited intermediate and low volume proposed exemption rules are based primarily on low toxicity concerns while the polymer exemption is based on physical-chemical properties and chemical category exclusions. We have supplemented these risk based criteria with provisions that require EPA review of the majority of exempt chemicals, as well as industry review by a qualified expert for site-limited intermediate and low-volume chemicals.

Question: Have these criteria been reviewed by members of the scientific community outside of EPA?

Answer: The provisions of the exemption rules which stated the criteria for the exemptions, were proposed for public comment on August 4, 1982 and a public hearing on the rules was held on November 1, 1982. In addition, risk assessments, economic impact assessment, and various other analyses were made available to the public. We received numerous public comments on these proposed rules, many of which related to the proposed exemption criteria. These comments are being considered as part of the final rulemaking process.

Question: When do you expect to publish these criteria for comment?

Answer: The criteria for exempting chemicals from the premanufacture review process were a part of each proposed exemption rule. The site limited, low volume and polymer exemption rules were published in the Federal Register on August 4, 1982. The comment period on those rules ended October 4, 1982.

INDUSTRY TESTING OF TOXIC SUBSTANCES

Question: Your budget justification indicates that the agency will also require testing of new chemicals by industry, when additional data is required. As part of this effort, the agency intends to enter into negotiated agreements with the industry to conduct testing on chemicals with possible health or environmental concern. You note that such agreements can result in accelerated rule making for EPA.

How many such agreements are now in place?

Answer: In the new chemicals program to date, EPA has had 23 voluntary tests performed by companies at the Agency's request. In the existing chemicals program, 13 negotiated testing agreements are in place. These 13 are all for existing chemicals recommended to EPA for testing consideration by the Interagency Testing Committee (ITC) under TSCA Section 4(e). To date, OTS has concentrated on the ITC designated chemicals as candidates for test rule development under Section 4. Over the past 2 years, OTS has cleared away much of the ITC backlog of chemicals for review and is now in a position to use the authority of Section 4 to generate useful information for chemicals and categories of chemicals identified via other sources. These include PMN follow-up chemicals identified under Section 5, existing chemicals not forwarded by the ITC, citizen petitions, etc.

Under Section 5, OTS' new chemicals program, EPA requests that industry conduct testing to address possible health or environmental effects of chemicals submitted for PMN review. The submitter conducts this testing during the premanufacture review period, suspends the review period to conduct the testing, or conducts testing under a Section 5(e) order. The nature of the testing requested does not change based on whether it is voluntary testing performed by the company or whether it is obtained under a Section 5(e) order. Manufacture is deferred pending the development and review of the data in light of EPA's concerns.

Under Section 4, EPA, after determining that additional data are necessary for selected existing chemicals, works closely with representatives of the affected industry to negotiate a testing scheme which will generate the information needed for a thorough evaluation and regulatory determination on the chemical in question. In the event that the negotiation process fails, EPA is prepared to propose a formal test rule. The advantage of negotiated agreements is that we get data faster - up to 2 years faster. However, not all chemicals are appropriate candidates for negotiation. There may be too many parties involved or too many viewpoints or too many forms of the chemical in question. In those cases EPA proceeds directly to rule development.

Question: What potential benefits do you envision as a result of these agreements?

Answer: The benefits gained from these agreements are essentially the same for both new and existing chemicals. Of primary importance is the amount of time it takes to get test data. A negotiated testing agreement under Section 4 can be in place within 18 months as opposed to 2-1/2 years required to promulgate a test rule. The voluntary testing agreements under Section 5 also provide data more quickly since we do not have to await the publication of a Section 5(e) order before testing can begin. Another obvious benefit is the resource savings resulting from these agreements.

Question: Recently GAO issued an opinion on the legality of these agreements? Do you concur with GAO's opinion

Answer: GAO issued an opinion on the legality of Section 4 negotiated testing agreements. We concur that EPA does have authority to negotiate testing agreements in lieu of test rules. We concur that these agreements are consistent with the purpose of Section 4 which is to ensure that industry develops adequate data on chemical substances. Although negotiated agreements are not enforceable like a rule, we believe there is adequate incentive for industry to keep to the agreement. EPA is prepared to issue a rule in the event that industry does not adhere to an agreement.

CHANGE IN CANCER POLICY

Question: The White House Office of Science and Technology Policy (OSTP) is directing efforts to produce a government-wide cancer policy to guide agencies' identification, evaluation and regulation of cancer-causing chemicals. An OSTP work group of representatives from five regulatory agencies, including EPA, have prepared a draft report on the state-of-the-science underlying methods used to identify and describe cancer exposures. The next step, planned for completion by June 1983, will be to develop a set of principles to guide Federal regulatory agencies in the identification and characterization of potential human carcinogens.

EPA's former Assistant Administrator for Pesticides and Toxic Substances (John Todhunter) has been quoted in *Science* magazine as saying he would resist any cancer policy proposal developed around a rigid legal framework. He said EPA should be allowed to use its discretion more often. Can you expand on that?

Answer: Dr. Todhunter's quote reflects his belief that it is inappropriate to develop a rigid decision-making framework which limits the consideration of certain scientific information and artificially restricts the exercise of good scientific judgment. He believes that in the past regulatory agencies have been trapped into considering all carcinogenic substances in exactly the same way when considering risks associated with their use, not taking into account the differences in their respective data bases.

It is certainly recognized that all carcinogens do not work through the same biological mechanism, and the information on chemicals relevant to the review of their carcinogenicity varies greatly. Dr. Todhunter has stated that cancer policies should reflect these differences and be flexible enough so that agents can be handled in different ways if the scientific data on them leads one to conclude that risks are better described by some other means.

Carcinogenic assessments are judgmental scientific endeavors. Therefore, cancer policies must remain flexible to cover all reasonable contingencies. The best system would be one which provides general direction, including the types of information to consider along the way, without being narrowly prescriptive as to how decisions will be reached at each intermediate point. The uniqueness of the data base in each case precludes such specificity.

Question: EPA critics say that the change in EPA cancer policy is a tendency to tolerate higher risks. They say several recent EPA decisions reflect this change, for example, decisions on EBDC's (fungicides), toxaphene (a pesticide), and formaldehyde (an industrial chemical). Can you respond to that charge?

Answer: EPA's cancer policy has not changed with the present administration. The Agency's position on the evaluation of chemicals for carcinogenicity is embodied in its 1976 guidelines. The Agency has used these methods, with minor modifications, since that time and continues to do so. Some have claimed that the Agency has used a certain risk level as a trigger for regulation in the past. That is not the case, and such a concept would be contrary to the nature of risk-benefit statutes such as our pesticide and toxic substances Acts.

The decisions on the EBDC fungicides and toxaphene were in keeping with past decisions made by the Office of Pesticides and Toxic Substances (OPTS). The risk assessment and benefits analyses were developed and factored into the case as before. In both cases, reductions in exposure were called for, certain uses of toxaphene were eliminated, and further research on the EBDC's was called for to ensure safety. For each case, the risks after regulation had been judged as reasonable when compared to the benefits.

In the case of formaldehyde, Dr. Todhunter sent a memo to the Administrator in which he made three separate points: he provided guidance on the interpretation of Section 4(f) of the Toxic Substances Control Act (TSCA), analyzed the data on the potential carcinogenic risks of formaldehyde exposure, and made a recommendation to the Administrator not to initiate action under Section 4(f). Given that TSCA is viewed as a gap filling statute, that all relevant regulatory agencies were aware of the data on the carcinogenicity of formaldehyde, and that any use that may come under TSCA's jurisdiction was associated with low exposures, a decision was made not to regulate the chemical under Section 4(f) of TSCA. Consideration of formaldehyde under other sections of TSCA continues. OPTS is involved with sponsoring a scientific consensus conference on formaldehyde this fall; the need for further follow-up on the chemical will be made after that time.

ACID RAIN

Question: What is the FY 83 and FY 84 status and funding of the acid rain program on a government-wide basis?

Answer: Funding for the two years are:

	FY 1983	FY 1984*
Other Agencies	$10.8 million	$13.6 million
EPA	$12.5 million	$14.0 million
Total	$23.3 million	$27.6 million

* Proposed

The status of the program is described in detail in the Second Annual Report of the Interagency Task Force which is in the final stages of clearance and should be available by late summer 1983.

Question: What specific objectives have been set for FY 83, FY 84 and the outyears?

Answer: The specific objectives for the next five years and beyond as set by the Interagency Task Force are quite numerous and are contained in the Second Annual Report of the Interagency Task Force, which should be available by late summer 1983. Some key milestones are:

FY 1983: Publication of the Critical Assessment Document summarizing and evaluating what we know now on the sources and effects of acid deposition.

FY 1985: Publication of a preliminary integrated assessment of the physical and other damages that are linked to acid deposition.

FY 1987: Publication of preliminary cost-benefit analyses of alternative control and mitigation strategies that will reduce the physical damages documented in Fiscal year 1985.

FY 1989: Publication of final cost-benefit analyses of alternate control and mitigation strategies and recommendations on optimal strategies.

ENERGY PROGRAM

Question: Overall, the FY 84 budget provides for \$23.5 million and 37 permanent workyears for energy research, a decrease of \$1.5 million. I understand that some of these funds have been consolidated elsewhere in the R&D budget. What other changes are there in your energy program?

Answer: Fiscal year 1984 changes within the multimedia energy program reflect a transfer of \$1.4 million in exploratory research funds and minor adjustments in current support levels. In the synthetic fuels health effects area we increased salaries and expenses by \$28,700 to cover increased payroll expenses and decreased reaseach and development by \$50,800 reflecting the completion of work on the comparative carcinogenicity of various synfuel chemicals. In the synthetic fuels engineering and technology area we reduced salaries and expenses by \$450,000 and research and development by \$637,800. This general reduction reflects the slower than anticipated commercialization of the synthetic fuels industry. Proposed levels of \$1,478,800 in salaries and expenses and \$902,200 in research and development will allow for increased emphasis on regional technical assistance. We believe that the nearly \$4.8 million included for synfuels in 1984 is sufficient to keep EPA's research ahead of this emerging field.

In the Limestone Injection Multistage Burner (LIMB)/NO_x control technology area we have reduced the nearly completed low NO_x research by \$693,700 and slightly increased LIMB activities by \$200,000.

In the acid deposition area, an increase of \$9,300 in salaries and expenses and a \$1,500,000 increase in research and development will: (1) establish an operational network to measure dry deposition; (2) develop detailed information from expanded watershed studies to understand physical and chemical processes affecting aquatic sytems; and (3) conduct a comprehensive field assessment to study the movement and transformation of acids and precursors from sources to receptors.

ACID RAIN AND UTILITY PLANT SCHEDULING

Question: On November 15, 1981, CRS issued a report on acid rain. In that report they suggested that EPA should require "least emissions" plant scheduling by utilities in which cleanest plants are routinely started up first and used more often. Most utilities now schedule plant use on a cost basis, using the most economical plants most often. CRS concludes these cheaper-to-run plants are usually older and more polluting.

Have you considered such a requirement?

Answer: We have not reviewed the CRS report and have not considered implementing a "least emissions" plant scheduling concept. However, we have conducted some preliminary research in this area.

Question: What is the potential reduction in acid rain if such a plant scheduling policy was put into effect?

Answer: Initial research sponsored by EPA of the potential effectiveness of Least Emissions Dispatch (LED) for electric utility systems was performed within the Ohio River Basin Energy Study (see page 227 of the ORBES Main Report and pp. Xi, Xii, and 115-123 of Ohio River Basin Energy Study: Air Quality and Related Impacts, Volume III, Selected Impacts of Electric Utility Operations in the Ohio River Basin (1976-2000): An application of the Utility Simulation Model, copies attached). The findings of the research are: 1) that operators of utility systems within the six state ORBES region do not currently employ least emissions dispatching; and 2) that this concept for operating utility systems has a strong potential for reducing sulfur emissions throughout the region at comparatively low cost.

The amount of emission reductions from implementing LED would increase over time as more low-emission generating units subject to the revised new source performance standard (1978) become operational. Delayed operational dates for these new plants due to decreasing demand and other factors would reduce the potential attractiveness of LED for acid deposition control.

The cautions contained in these excerpts from the ORBES reports should be observed. Additionally, it should be noted that attention must be given to the effects on oil consumption and possible shifts in coal markets among sulfur categories in the further refinement and study of the LED concept. No currently available analytical model for studying utility emissions is capable of properly analyzing the effectiveness of LED. However, the Advanced Utility Simulation Model under development by EPA has been designed to improve our analytical capabilities in this and other interesting areas. EPA intends to study the potential emissions reduction benefits and the economic and other costs of LED within the National Acid Precipitation Assessment Program when the advanced utility model is available for application.

WORKYEARS

Question: Your fiscal year 1984 budget shows a decrease in workyears of 455.9 from the fiscal year 1983 level. This represents a 5% decrease. In reviewing the specifics of this decrease, I note that 287.7 workyears of this decrease is associated with your Water Quality Program. What was your request to OMB for permanent workyears for your Water Quality Program?

Answer: The Water Quality media request to OMB was for 1,719.6 permanent workyears.

Question: What level of decrease would this have resulted in had your request been approved?

Answer: The Water Quality OMB request was a 231 permanent workyear decrease from 1983. Of this decrease, 67 workyears were an accounting restruction of NEPA Compliance, leaving an actual decrease of 164 workyears, representing what would have been an 8% decrease.

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Question: In what areas do you expect to absorb this large decrease in your Water Quality Program?

Answer: The following are changes in the Water Quality permanent workyears between 1983 and the 1984 President's Budget:

- 83.7	Research and Development
- 39.7	State Programs Management
- 2.0	Chesapeake Bay
- 22.7	Effluent Standards and Guidelines
- 3.0	Dredge and Fill
- 1.9	Ocean Disposal Permits
- 19.7	Environmental Emergency Response and Prevention
+ 14.3	Standards and Regulations
- 6.0	Water Quality Monitoring
- 29.9*	Municipal Source Control
- 12.4	Water Quality Enforcement
- 14.0	Permit Issuance
-220.7*	Total Water Quality Media

*Adjusted to remove 67 NEPA Compliance permanent workyears from the 1983 base.

OFFICE OF POLICY AND RESOURCE MANAGEMENT (OPRM)

Question: Your budget request for OPRM regulatory reform requests $16.4 million and 99 permanent workyears. You state that in fiscal year 1984, you intend to intensify EPA's regulatory reform efforts. What specific activities do you intend to undertake during fiscal year 1984 in the regulatory reform area.

Answer: EPA has already made rapid progress with its air bubble and emissions trading approaches. These substantive reforms allow plant managers to meet environmental requirements for cheaper pollution control, provided the alternative control strategy assures equal or better air quality and enforcement results. They also conserve government and industry resources by streamlining regulatory procedures and creating clear decision rules that avoid duplicatives efforts.

As a result of EPA's Emissions Trading Policy, issued last April, by the end of calendar 1982 the bubble had saved regulated industry more than half of a billion dollars over the cost of conventional air pollution control, with equal or better environmental results. One hundred and seventy-nine air bubbles were approved, proposed, or under development for total estimated savings of $608 million (capital plus first year operating savings only), with many of these bubbles producing substantially more emission reductions than required by traditional regulation. EPA had approved or proposed to approve ten "generic rules" authorizing states to approve individual bubble or other trades without time-consuming Federal review, with another dozen state rules in preparation. The General Accounting Office (GAO) had predicted savings to the economy of billions of dollars per year from expanded emissions trading, with no adverse effects on air quality.

Regulatory reform activities in fiscal year 1984 envision: expanded emissions trading, including implementation of a final Emissions Trading Policy schedule to be issued this summer; extensions of environmentally-sound trading approaches to other areas of air pollution control, notably New Source Performance Standards (NSPS) under Section 111 of the Clean Air Act; and application of similar concepts to pollution control under the Clean Water Act.

For example, the "NSPS" compliance bubble" would allow two or more new facilities to meet NSPS requirements by producing emission reductions equivalent to NSPS in the aggregate, affording more flexible, rapid, and cost-effective compliance with stringent requirement applications to new sources. Under one petition for such a bubble now pending before the Agency, a single Midwest utility installation would save $15 to 20 million per year -- nearly half a billion dollars over its useful life -- while producing more emission reductions than traditional NSPS would require. Thirteen paper mills on the Fox River in Wisconsin are already using a series of similar reforms to save $12 million -- 80 percent of the cost of conventional water pollution control -with equal or better water quality results.

During fiscal year 1984 we plan to develop and refine these reform ideas to assure their environmental and economic soundness. We will also be implementing several procedural reforms designed to produce better, more quickly developed EPA regulations, including use of negotiation among interested parties to help develop proposed rules.

Question: What emphasis will you place on improving scientific, engineering, and statistical data underlying regulatory decisions?

Answer: The Agency is committed to giving greater priority to the improvement of all information used for regulatory decisions. The underlying technical work is prepared in the program offices, but the Office of Policy and Resource Management (OPRM) reviews some of the technical work that is directly related to regulations. In particular, we have allocated several additional staff positions for scientists with experience in public policy in order to conduct scientific and policy reviews of regulations before proposals receive OPRM concurrence.

In 1984, we will further emphasize OPRM's independent, multidisciplinary technical review of EPA regulations under development, or during review or revision, to assure that a full range of technically defensible regulatory options are identified and explored. OPRM's intensified scientific and engineering review capability will provide EPA a method for assuring that available information is shared by all program offices, thus conserving resources, avoiding duplication of effort, and assuring the quality of the scientific and technological bases for regulatory decision making.

The Agency has established statistical and information oversight functions in the Office of Standards and Regulations' Statistical Policy Staff (SPS). During last year, the SPS has carried out information reviews under the Paperwork Reduction Act (PRA) and has provided technical oversight of major statistical activities in a variety of program areas. These reviews have resulted in major regulatory changes and reductions in EPA's public information collection burden.

The Office of Policy and Resource Management expects to increase the resources allocated to the statistical and information functions within SPS. With these additional resources, the staff will expand the role of PRA Triennial Reviews to include a number of the Agency's data collection activities and provide specialized statistical expertise in risk assessment and survey design to program offices.

OPRM will develop policies and procedures which will ensure an upgrading in the quality of existing data base and, through carefull oversight and review of new information requirements, ensure that collection of duplicative data is minimized.

Through the publication of guidelines and the offering of intra-EPA seminars, the SPS will provide program offices with assistance amd training in the areas of survey design and sampling methods.

The SPS will implement projects to assess the validity and appropriateness of statistical methods used in Agency data collection and monitoring activities. These projects will result in formulation of policies and guidelines to ensure data of higher quality for use in the regulatory decision making process.

Through the development and use of sophisticated multivariate statistical techniquies, more efficient and effective enforcemenet strategies will be implemented. These strategies will focus on the use of statistical prediction for the selection of potential violators. This efforts will enable the Agency to more effectively use its limited enforcement resources.

FUNDING FOR THE OFFICE OF CONGRESSIONAL LIAISON

Question: How much are you requesting for your Office of Congressional Liaison for FY 84?

Answer: The Office of Congressional Liaison and the Office of Legislation were consolidated in September 1982, prior to the development of the fiscal year 1984 President's budget. The fiscal year 1984 resources requested to support the consolidated Office of Legislation are $1,811.6 thousand and 31.9 permanent workyears.

Question: How does this compare to the FY 82 and FY 83 levels?

Answer: The resources which support the consolidated Office of Legislation in fiscal year 1982 and fiscal year 1983 are $1,292.9 thousand and 26.5 permanent workyears in fiscal year 1982 and $1,720.7 thousand and 33.9 permanent workyears in fiscal year 1983.

OVERTIME PAY

Question: Last year, I questioned you about a GAO report on overtime management and practices at EPA. That report concluded that: EPA Headquarters managers and supervisors do not appear to be managing overtime to insure that the work is necessary. Much of the overtime reviewed was for non-priority administrative work which did not meet EPA's criteria for justifying overtime. Furthermore, over 60% of the overtime paid to EPA Headquarters employees in the GAO sample was not documented with overtime authorizations. In addition, overtime system controls did not insure that overtime claims were legitimate.

What has EPA done to remedy this situation?

Answer: EPA has taken several actions to address the concerns detailed in the GAO report. In the Fall of 1981, we issued detailed policies and procedures governing the handling of time and attendance records. In January 1982, we issued specific procedures for documenting and recording overtime. Finally, at the same time, the Assistant Administrator for Administration issued a memorandum encouraging supervisors to evaluate their justification for regularly scheduled overtime and to consider alternatives to using overtime. Importantly, the Agency's use of overtime has declined from a high of $2.9 million in fiscal year 1980 to actual fiscal year 1982 use of $1.3 million.

MANAGEMENT OF WORD PROCESSING EQUIPMENT

Question: Last year we discussed the August 1981 GSA report on EPA word processing management. The report concludes, among other things, that between $2 million and $4 million are wasted annually because of inadequate word processing management.

What have you done about this situation?

Answer: EPA is committed to fully exploiting the benefits of office automation technology, while ensuring that this technology is employed in a cost effective manner. EPA takes strong exception to the GSA conclusion that EPA is wasting between $2 million and $4 million annually because of inadequate word processing management. We believe that GSA's approach to assessing the need for word processing equipment is based on a fundamental misconception about the role of the word processor in the modern office. The GSA report looked at word processing primarily as a clerical tool. Our approach to purchasing and deploying word processors is based on the premise that this equipment is part of a total system of electronic data processing and communications and offers a practical and cost effective way to extend the benefits of automation to technical and professional personnel at a very low marginal cost.

Before the issuance of the GSA report, EPA began to take a number of steps to improve the management of our word processing systems. First, we made a detailed inventory of our word processing equipment and software, and used this inventory to analyze our existing word processing resources and project our future needs. Second, through competitive procurement, we established a single vendor for all EPA word processing equipment. This contract fixed acquisition prices for five years and maintenance prices for seven years. We now have compatibility of word processors throughout the Agency and we have reduced the average cost per work station to less than half of the GSA schedule price. Third, we tightened the review and approval process for new equipment purchases, and issued guidelines on automation expenditures which require the analysis of costs and benefits and incorporate all relevant GSA regulations. Fourth, we established standard user training programs and materials for word processor operators. And finally, we are developing or acquiring software to expand the use of the standard word processor to transmit data between work stations, generate forms, automate records, and retrieve information from major ADP systems --thus greatly increasing the productivity of EPA personnel and the return on our investment in this technology.

Question: The report concluded that EPA should declare a moratorium on the acquisition of further word processing equipment.

How much do you expect to spend in FY 83 for acquisition of more equipment and how much have you budgeted in FY 84 for this?

Answer: We did place a moratorium on word processing acquisition during much of fiscal year 1982, while we put into place the program described above. During fiscal year 1983, EPA plans to spend an estimated $3 million to lease, purchase and maintain word processing equipment. This reflects a fifty percent reduction in our annual cost per work station. We expect our expenditures in fiscal year 1984 to remain at about the same level.

COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT (SUPERFUND)

Question: It has been stated numerous times that the $1.6 billion Superfund will not be adequate to respond to the large number of sites requiring cleanup. EPA had estimated previously that only 170 Superfund-financed remedial action projects would be completed during the life of the Fund, although you have already published a National Priority List of 419 sites eligible for cleanup under the Superfund program.

Are you still estimating that only 170 Superfund-financed remedial action projects will be completed during the life of the Fund?

Answer: Yes, the amount of money that will be available from the Trust Fund for site-specific remedial work is projected to be slightly over one billion dollars. This will be sufficient to complete remedial work at 170 sites at an estimated average cost of $6 million per site. It is important to stress that this is an average based on estimated cost. As we gain more experience with actual project cost, or as more solutions are selected, this estimate will be revised.

Question: When you refer to a remedial action at a specific site, does this imply complete cleanup of the site or is it more than likely partial site cleanup (e.g., one remedial action may be surface cleanup, another remedial action may be ground water cleanup, etc.)?

Answer: A completed remedial action is not necessarily a full cleanup of a site in the sense of having eliminated the problem to the extent that the area will always be able to be used for the same purpose as it was previously. A remedial action is considered complete once any serious threat to public health or the environment has been mitigated. This means no additional work is needed to provide protection from existing or potential exposure.

Question: What is EPA's current best estimate concerning the number of sites that will be totally cleaned up (i.e., no additional cleanup activities are needed to protect the environment or public health from exposure or potential exposure)?

Answer: We estimate that the Fund will finance completed remedial action at 170 sites.

Question: The Superfund tax is due to expire on September 30, 1985 or when $1.38 billion has been collected, whichever occurs first. Furthermore, if the unobligated balance in the fund exceeds $900 million on September 30, 1983 or September 30, 1984, and a determination is made that such unobligated balance will exceed $500 million on September 30 of the following year if no tax is imposed during the next calendar year, then no tax will be imposed during the first calendar year following September 30, 1983 or September 30, 1984, whichever is applicable. Recently legislation has been introduced in the House and Senate to extend Superfund for five years to 1990.

What has been the average monthly income to the Fund over the last six months?

Answer: The average monthly income from taxes to the Fund from September 1982 to February 1983 has been $19.8 million.

Senator Garn—Continued

Question: Will the Superfund tax expire before September 30, 1985 as a result of $1.38 billion having been collected prior to that date? What is the current estimate of the total Superfund taxes to be credited to the Fund by September 30, 1985?

Answer: We are currently estimating the following yearly tax collections through 1986. Receipts in 1986 are expected due to lags in collection and transfer of the Trust Fund.

Actual	1981	$127.9
Actual	1982	244.0
Estimated	1983	256.0
Estimated	1984	273.0
Estimated	1985	282.0
Estimated	1986	13.0
	Total Tax	$1,195.9 million

Based on the above estimates, the taxes will not exceed $1.3 billion and, therefore, will not expire before September 30, 1985.

Question: Is it possible for the Superfund to have an unobligated balance exceeding $900.0 million on September 30, 1983, or September 30, 1984, based on current estimates of tax revenues and obligations? What are the current estimates of the unobligated balance that will exist on September 30, 1983 and September 30, 1984?

Answer: Section 4611 of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) Subtitle A states that taxes will not be collected if on September 30, 1983 or September 30, 1984, the unobligated balance in the Trust Fund exceeds $900.0 million.

The Agency expects to obligate 100 percent of its 1983 appropriation. However, even if we do not meet this goal, the shortfall would not result in an unobligated balance of $900.0 million.

Our projected balances are as follows:

	(Dollars in Millions)	
	Statute (Cap) Unobligated Balance	Projected Unobligated Balance
April 30, 1983	--	$337.2
September 30, 1983	$900.0	$388.4
September 30, 1984	$900.0	$472.1

Question: At this time, do you expect EPA to seek to extend Superfund's taxing authority and extend the Superfund beyond September 30, 1985?

Answer: Section 301 of the Superfund statute requires the President to submit within four years after enactment a comprehensive report on our experience with implementing the Act. We have proceeded on the assumption that the report would trigger the national debate on the future of tax collections and the continued Federal role in the program. Therefore, at this time I believe it is premature to establish a definitive position.

Continuing the collection of tax revenues beyond the Congressionally set termination date of September 30, 1985 should be the subject of a major public debate prior to any Congressional action.

Question: The Superfund budget for 1983 was approved at $210 million with $10 million of that amount earmarked to carry out the State Hazardous Waste Site Inventory provisions of RCRA Section 3012. This $10 million earmarking was the result of a Senate initiative and I am therefore, quite interested in this provision.

What is the current status of EPA actions to provide this funding to the States and what priorities have been established?

Answer: On February 7, 1983, EPA published a rule-related Federal Register notice which established policies and procedures for financial assistance to States using the $10 million authorized by Congress to implement Section 3012. The notice identified the activities that may be paid for with the funds and established the formula for allocating funds among the States. The notice provided a 90 day period for States to submit final applications to EPA (due May 9).

On March 8, 1983, EPA issued detailed guidance on the allowable activities to be supported by Section"3012 funds and instructions on procedures and format for applying for the funds.

The EPA Regional Offices and the States have been working together to develop coordinated work plans that will serve as the cornerstone of the Cooperative Agreements between EPA and the States.

As of May 11, 1983, Headquarters has received five final applications. Approximately 80 percent of the remaining States are expected to submit final applications to the Regional Offices by May 13, 1983. The Agency plans on awarding the Cooperative Agreements as quickly as possible once an application has been received.

Question: How much of the $10 million has been actually transferred to the States?

Answer: The first funds from the Section 3012 authorization are expected to be awarded in June. The Agency's goal is to make the awards to the States as quickly as possible.

Question: What has been the States' reactions to the availability of this funding?

Answer: The States have reacted positively to the program. All of the States, plus Puerto Rico plan to move promptly in establishing a Cooperative Agreement with EPA.

Question: When the Superfund legislation was debated in 1980 mechanisms for compensating victims of toxic substances incidents were also discussed. The final legislation, however, excluded any provisions for a victim compensation system. The legislation did provide for a study, which was released in September 1982, to assess the adequacy of existing law in providing legal re-dress to victims of hazardous substance exposure. Since then other groups have commented on ways to address the toxic substances victim compensation issue and various legislative proposals have been introduced in both the House and the Senate.

What is EPA's position on the toxic substances/victim compensation issue?

Answer: EPA has not taken a position on the toxic substances/victim compensation issue. This issue will be presented to the new Administrator along with other Superfund issues upon his confirmation.

Question: Does EPA favor any of the current victim compensation bills in the House or the Senate?

Answer: EPA has not taken a position on any of the currently proposed victim compensation bills. EPA must first carefully analyze impacts on existing programs prior to taking a position on specific proposals, because of the potential impacts on the Superfund program and other environmental laws.

Question: Do you believe that victim compensation legislation should be financed through a similar mechanism as the Superfund?

Answer: The appropriate funding mechanism for any victim compensation scheme must be assessed in light of the particular proposal. Until EPA assesses the interrelationship of pending proposals to existing programs, appropriate funding mechanisms (if any such mechanism is needed) cannot be assessed. Moreover, a funding mechanism should be viewed in isolation from the administrative scheme. The administrative scheme will dictate funding needs and, therefore, affect the choice of funding mechanism.

SUPERFUND MISSION CONTRACTS

Question: On September 30, 1982, EPA awarded three large mission contracts under Superfund.

Please provide, for the record, a description of the Contractors selected, the work to be performed and the funds involved.

Answer: On September 30, 1982, EPA awarded three large mission contracts, two to support its remedial program and one to support its removal efforts.

The Hazardous Site Remedial Response Contracts (commonly called REM/FIT) were awarded to the NUS Corporation (Zone 1, EPA Regions I-IV) and to CH_2M Hill South East Incorporated (Zone 2, EPA Regions V-X). The purpose of the contracts is to provide technical support to the Agency's Regional Offices in performing field investigations and remedial planning activities at uncontrolled hazardous waste disposal sites. The contracts have a period of performance of two years, with two one-year optional extensions. The value of the contracts for the two year base period is for NUS - $39.1 million, and for CH_2M Hill - $45.5 million.

The NUS Corporation is a multidisciplinary firm with 11 offices in the United States and several overseas offices. The firm has had project management experience on major multimillion dollar contracts and extensive technical experience in the field of hazardous waste management. Specific corporate experience encompasses assessments and remedial projects at uncontrolled hazardous waste disposal sites; hydrologic, geologic, and environmental studies at such sites; groundwater monitoring projects; and design and operation of hazardous site control facilities, including leachate collection and treatment.

CH_2M Hill, Inc. is also a multidisciplinary firm with 31 offices located across the United States. The firm has had extensive project management experience on large complex contracts including the $1.5 billion Milwaukee Water Pollution Abatement Program. CH_2M Hill also has direct technical experience with uncontrolled hazardous waste disposal sites gained from projects with EPA, other Federal agencies, and private clients.

For purposes of organization and overall control, the contracts are divided into three segments. The first is program management, which deals with technical oversight and administrative management of the contract. Each firm has established a zone program management office to ensure effective management and oversight.

The second segment provides field investigation teams to support the EPA Regions. The teams are multidisciplinary, with special emphasis on engineering and subsurface problems. The teams will be performing the preliminary assessment and site inspections needed to determine the extent of the problem caused by a site. The third segment of the contract provides resources for remedial planning activities. Work assignments include the preparation of Remedial Action Master Plans (activities undertaken for evaluating and screening sites) and Remedial Investigation/Feasibility Studies (activities undertaken to characterize in detail the hazardous substance problem). These actions culminate in a recommendation for a cost-effective remedy for the site. The contracts also provide for the performance of Initial Remedial Measures which involve the undertaking of a partial remedy prior to selection of the final remedial action. This is undertaken to limit exposure or threat of exposure to a significant hazard to public health and environment. Typical actions will include the installation of security fences, stabilization of surface lagoons, surface run-on/run-off control, and disposal of waste materials on the surface of the site.

The Technical Assistance Team contract (commonly called TAT) was awarded to Roy F. Weston, Inc. The purpose of the contract is to supplement the Agency's spill prevention and removal program. The contract has a period of performance of two years with two one-year optional extensions. The value of the two years base period is $17 million.

Roy F. Weston, Inc. is a multidisciplined firm comprised of scientific and engineering specialists with a professional staff of over 390. Weston's corporate headquarters is located in West Chester, Pennsylvania.

The contract provides technical support for EPA's spill prevention program and for emergency removals of oil and hazardous substance releases. This technical support is provided to Federal On-Scene Coordinators located in the ten EPA Regional Offices, to the Environmental Response Team, and to the Headquarter's project officer. Most of the support is provided to the Regions for on-scene monitoring of non-Federal spill response and for assistance in damage assessment and spill prevention inspections. The contract also provides assistance in removal planning and community relations efforts.

Question: What percent of the total contract costs will be for studies, planning, and analysis vs. cleanup?

Answer: The primary purpose of the two remedial contracts is to conduct site investigations to determine the nature and scope of the problem associated with an uncontrolled hazardous waste site and to develop remedial alternatives.

With the exception of actions to minimize or limit immediate concerns, the implementation of remedies are carried out by contractors who are managed by the Corps of Engineers or the States. The contracts allocate approximately 13 percent of the funds for program management, 30 percent for field investigation, and 57 percent for the planning of remedial actions including Initial Remedial Measures.

Ninety percent of total removal contract costs are for conducting and supporting field response activities. Ten percent of the costs are for planning, analysis, and management activities.

SUPERFUND R&D

Question: Your FY 84 budget request states that you will maintain an investment of $6.4 million and 25 permanent workyears for "specfic activities" designed to resolve and eliminate problems which inhibit effective field response.

Could you please describe these "specific activities" that you intend to undertake during FY 84 in order to assist your field effort?

Answer: The Research and Development activities in support of Superfund involve four major programs: Environmental Engineering and Technology, Scientific Assessment, Monitoring Systems and Quality Assurance, and Environmental Processes and Effects.

Environmental Engineering and Technology

The Environmental Engineering and Technology program is concerned with evaluating technologies to manage uncontrolled waste sites, providing information on personnel health and safety equipment and procedures and providing technical support to enforcement, program and regional offices.

Specific activities in technology evaluation include efforts to address response equipment and technology for evaluating and testing prototypical equipment such as mobile incineration systems and mobile soil washing systems. Manuals of practice for handling damaged and leaking drums at waste sites will be made available. A technical data base (including guidelines) will be prepared to provide response personnel direction in the use of dispersants and/or coagulants introduced into the environment to mitigate the efforts of hazardous releases. Assessments of the cost-effectiveness of technologies applied and validation of technology effectiveness will be an intergral part of this effort. A handbook on remedial technology will be prepared, based on a survey and assessment of current technology and field assessments of remedial actions at uncontrolled hazardous waste sites begun in 1982. It will include design data and cost and effectiveness information to assist in selecting remedial action alternatives. Preliminary capabilities for characterizing reactivity of construction materials and hazardous wastes will be provided. Models to predict the effectiveness of remedial action will also be provided.

In the personnel health and safety equipment and procedures area, specialized equipment will be evaluated and current state-of-the-art procedures to ensure personnel safety during reconnaissance and clean up, especially decontamination of equipment and personnel, will be established. Outputs in this area will include manuals establishing personnel safety protocols and the evaluation of equipment and techniques specific to the needs of response personnel.

In the technical assistance area, timely technical and scientific information and analysis in support of hazardous waste site litigation and corrective actions will be provided. Short-term, quick turn-around technical advice and consultation will be provided to regional programs and to the Office of Waste Program Enforcement.

Scientific Assessment

Scientific Assessment support will include rapid response, chemical specific health assessments for use by On-Scene-Coordinators (OSCs) in determining potential hazards, and chemical-specific, site-specific detailed risk assessments to verify the adequacy of cleanup actions. Also, the approximately sixty reportable quantities documents required by Section 102 of CERCLA for determining when a response is called for will be completed.

Monitoring Systems and Quality Assurance

Monitoring and Quality Assurance support will include support to the National Contracts Laboratory Program and direct technical support to Enforcement, Program and Regional offices. Contract Laboratory support will include on-site evaluations, blind sample analysis, quarterly reviews and a ten percent data audit program. Direct technical support will take the form of providing expert witnesses, providing quality control over clean-up operations conducted by industry, conducting geophysical monitoring and providing referee laboratory analysis.

Environmental Processes and Effects

Environmental Processes support will involve developing a handbook for on-scene coordinators to use in determining if the extent of removal or remedial activity planned is commensurate with the risk a site poses, evaluating the models selected for use in predicting contaminant behavior, and providing direct technical support to Enforcement, Program and Regional Offices.

SUPERFUND STATE RESPONSIBILITY

Question: In fiscal year 1982, EPA was able to obtain over 60 percent of the remedial dollars obligated from the States. You indicate that this level is much higher than you originally estimated.

What would the total State dollars involve?

Answer: The State share of remedial response cost is consistently set at ten percent (or at least 50 percent if the site is publicly owned). The 60 percent figure for fiscal year 1982 refers to the level of total dollars that were obligated through cooperative agreements. A cooperative agreement enables the Federal government to give the Federal share of the funding for a project to the State, which supplies the remaining share and takes the lead in seeing that the work is done. Originally we projected that States would assume the lead on projects involving only 30 percent of the remedial dollars, but our actual record in fiscal year 1982 was 60 percent.

Question: Given your expected activity level in fiscal year 1983 and fiscal year 1984, what State resources would be necessary in order to continue a State contribution of 60 percent?

Answer: States are generally contributing ten percent of the costs of the projects. They will have to find qualified staff to manage any projects for which they want to have lead responsibility. We anticipate that States will continue their current interest in participation in fiscal years 1983 and 1984, but we cannot supply any projections of dollar involvement until decisions on individual projects are made.

Question: Do you believe that this high level of State participation is likely to continue as the resources devoted to response actions increase?

Senator Garn—Continued

Answer: While the Agency would like to see States continue to take the lead responsibility on as many projects as possible, realistically the 60 percent level is probably high. This level represented States eager and able to support management of some major projects. As the number of projects expand, States will begin to have trouble employing sufficient numbers of qualified staff to handle the workload.

Question: To what extent do you believe that such a high reliance on State contributions will result in delays in conducting remedial response actions?

Answer: Our current experience is that generally States do not have the organization and contract procedures and mechanisms in place to get projects going as soon as the money is available. Though this record should begin to improve, it is still a potential source of program delay.

Question: Your budget justification states that in fiscal year 1984, EPA expects to award approximately $95 million in Cooperative Agreements for State actions - an increase of $47 million or 98 percent over the fiscal year 1983 levels.

You note that States will be encouraged and assisted in developing their own responsible capabilities and organizations in anticipation of a decreased Federal role.

Could you please explain the basis on which you are projecting a decreased Federal role in this area and the relative responsibilities that you feel are appropriate for the States and the Federal government?

Answer: In fiscal year 1984 there will be an increased number of remedial actions underway, with a greater proportion of these being the more expensive design and remedial implementation activities. With more money being spent, more resources will be going into Cooperative Agreements.

The Agency's goal is to have States assume as much responsibility as possible for hazardous substance response. Ideally, the States will begin to develop their own sources of funding, to supplement available Federal resources, and their own response capabilities. Ultimately, the Federal role could devolve to technical assistance to the States.

SUPERFUND FUTURE COST ESTIMATES

Recently, OTA issued a report that casts some doubt as to the adequacy of the Superfund funding, indeed, the legislation itself in addressing the Nation's hazardous waste problem. In particular, OTA argues that the volume of hazardous waste produced each year is far greater than EPA has estimated that the cost to the public of cleaning up old dump sites may exceed the resources available under the Superfund program by 10 to 20 times, and that current regulations tend to favor the least environmentally acceptable means of waste disposal. The burden of OTA's message is that, in addition to ensuring that EPA properly enforces the hazardous waste laws, Congress needs to take a hard look at the laws themselves.

Senator Garn—Continued

The report suggests that one way to encourage more desirable disposal techniques would be to establish a fee system under which companies would be charged according to the amount of toxic waste they generate, with higher fees imposed for wastes disposed of on land than by alternative means. The report claims that such a system would encourage more recycling of hazardous materials.

Question: Do you agree with OTA as to the potential cost of cleanup?

Answer: It was never intended that the Trust Fund established under CERCLA would be sufficient to address all the problem sites in the country. The Agency currently estimates that we will be able to undertake federally-funded remedial action at 170 sites with the resources projected to be available in the existing Trust Fund. Additionally, the Fund will support enforcement activities that could lead to remedial action at approximately another 170 sites.

Question: Do you share their concern about the environmental impact of the small hazardous waste producer?

Answer: We share OTA's concern about the environmental impact of hazardous waste generated by small quantity generators. In the preamble to the May 19, 1980, hazardous waste regulations, the Agency stated its intent to reconsider the small quantity generator exemption level within 2 to 5 years and to phase down the exemption level to 100 kilograms/month. In view of our commitment, the Agency has initiated a two year study to quantify the health and environmental effects posed by the mismanagement of hazardous waste generated by small quantity generators and to identify regulatory and non-regulatory alternatives for dealing with mismanagement of these wastes. In order to identify and quantify the risks posed by these wastes, the Agency must evaluate the types and number of small quantity generators, the types and quantity of wastes generated, current waste management practices and costs for waste management. To produce this data, the Agency plans to conduct a survey of small quantity generators in the United States, as well as consult with owners or operators of waste management facilities, industry trade associations, and State personnel.

SUPERFUND ACTIVITIES

Question: On March 2, 1983, you provided us with an update of the status report on Superfund as requested by this committee. That report states that from October 1 to January 31 EPA has performed engineering design at only one site; obligated no funds during this period for assessments, inspections and investigations; performed remedial implementation at no sites; performed initial remedial measures at no sites; and, signed no cooperative agreements.

What goals have you established for fiscal year 1983 in each of these various areas?

Answer: For fiscal year 1983 through February 28, EPA has obligated funds for Remedial Investigation/Feasibility Studies (RI/FS) at 11 new sites; obligated funds for Engineering Design at 2 new sites; obligated funds for Initial Remedial Measures at 3 new sites; and, signed 6 Cooperative Agreements.

We are projecting that for fiscal year 1983 EPA will have initiated at new sites 40 Remedial Investigation/Feasibility Studies; 24 Engineering Designs; 11 Remedial Implementation; and, 15 Initial Remedial Measures. EPA has no specific output target for Cooperative Agreements. The Agency's goal is to have States assume lead responsibility for as many projects as possible.

Question: The report also indicates that only $900,000 has been obligated for removal activities during this period and only $25.4 million has been obligated since the initiation of the Superfund for removals.

What are your estimates for the remainder of fiscal year 1983 and fiscal year 1984 in the use of funds for the removal of hazardous substances?

Answer: EPA pays for a hazardous substance emergency response only in certain circumstances. Normally the cleanup is done by the responsible party or by a State or local government. For fiscal year 1983, $2.1 million was obligated through February 28 for responses. Up to an additional $20 million is budgeted for removal actions in fiscal year 1983 if it is needed. Approximately $22 million is budgeted for this purpose in fiscal year 1984.

Question: Your budget indicates that you expect to expand the number of sites where response action will be underway during fiscal year 1984 and are requesting $257.4 million and 298 permanent workyears to provide for an effective response through emergency removal actions.

How do you expect to accomplish this high level activity given the current lack of activity in this area?

Answer: The request for $257.4 million and 298 permanent workyears will provide for all response actions, not just emergency removals. In fiscal year 1984, the Agency will be significantly increasing the remedial work that will be initiated as the program matures past the planning stage into the implementation stage. Almost $200 million of the amount will be for site remedial activities.

Question: Your budget justification indicates that in 1984 you will initiate action at 55 sites on the National Priority List to plan and assess potential long term solutions.

How did you arrive at this estimate?

Answer: The estimate of 55 RI/FS is based on EPA's assessment of the ability of States to contribute their share of costs at priority sites. If States develop programs more rapidly and if resources are greater, then the number of sites could be increased.

FUNDING OF THE DEPARTMENT OF JUSTICE AND HHS THROUGH THE SUPERFUND

Question: The President's Budget for fiscal year 1984 includes a total of $8.3 million to support ongoing activities of other Federal agencies associated with the Superfund. This represents a decrease of $3.7 milllion from the fiscal year 1983 level.

As you know, this subcommittee has taken a strong interest in assuring that adequate funds were provided to the Centers for Disease Control in order that they might fulfill their statutory requirement under the Superfund legislation.

What funding level do you propose for CDC in fiscal year 1984?

Answer: The President's Budget includes $1,905,000 for the Centers for Disease Control in fiscal year 1984.

Question: How was this level arrived at?

Answer: Start-up activities such as training, guidance development, modification of information data bases, chemical testing, and procurement of equipment should be completed with funds provided in fiscal year 1983. In the President's Budget, funds were only requested for continuing activities in fiscal year 1984. These activities include site consultations, review of environmental test data for sites, other field guidance, and lab support. It should be noted that HHS obligations for fiscal year 1984 are anticipated to be $5 - 8 million because HHS does not anticipate being able to obligate in fiscal year 1983 all of the activites being finished this year.

Question: What was CDC's original request to EPA for fiscal year 1984?

Answer: HHS originally requested $6,415,000 for HHS' Superfund activities in fiscal year 1984. Of this amount, $4,885,000 was for CDC's activities. The remaining $1,530,000 was to fund activities in the National Library of Medicine and the National Institute for Occupational Safety and Health.

Question: What activities will not be performed under this reduced level that would have been performed under the original request?

Answer: CDC's original request included additional funds for several activities associated with the start up of the program. These activities have been moved into fiscal year 1983 and are being funded with the additional money earmarked for fiscal year 1983 by the Congress. These activities included: training on how to utilize effectively HHS resources at priority sites, Occupational Health and Safety Training, and the development of survey protocols and lab investigation guidances. CDC's original request also included activities which EPA has not funded.

Development of automated guidance manuals and training on the use of HHS information systems were not considered to be essential to the effective implementation of the program. Investigation of food contamination incidents will be funded as the need arises on a site specific basis.

Question: Please provide for the record, the original request to EPA from CDC and your reply to that request and any appeal they may have made to that reply.

Answer: The requested materials follow.

Question: What funds do you intend to provide for the Department of Justice in fiscal year 1984 and how does this level compare to the fiscal year 1983 level?

Answer: The President's Budget includes $2,644,000 for the Department of Justice in fiscal year 1984, which represents an increase of $544,000 over the fiscal year 1983 level.

LETTER FROM DALE W. SOPPER, ASSISTANT SECRETARY FOR MANAGEMENT AND BUDGET, DEPARTMENT OF HEALTH AND HUMAN SERVICES

JUL 23 1982

Mr. Morgan Kinghorn
Comptroller
Environmental Protection Agency
401 M Street, S.W.
Washington, D.C. 20460

Dear Mr. Kinghorn:

In accordance with the guidance set forth in the Administrator's June 28, 1982, letter to Secretary Schweiker, I am formally transmitting the enclosed funding request for FY 1984 for the Department of Health and Human Services' (HHS) ongoing activities under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (Superfund).

We are requesting a total of $6.415 million for our ongoing activities, which does not include funding for health studies or toxicological testing. It is our understanding that these latter activities, as well as other site-specific efforts, will be considered for funding under separate interagency agreements to be covered under a Memorandum of Understanding currently being drafted by EPA.

Because the Department's FY 1984 budget development process is still ongoing, it is possible that our Superfund budget request may need to be modified at a later date. If this becomes necessary, we will notify your office.

The enclosed budget request does not set priorities among the decision units since all activities are mandated under law and are consistent with the priorities and policies EPA has set for Superfund implementation. Last year, we negotiated levels of activities within decision units, rather than between decision units, and we would hope to follow the same procedure this year.

We look forward to receiving the Administrator's preliminary decisions on funding levels for HHS ongoing activities by August 11, 1982. Given the short turn-around time period for appeals, we would appreciate your staff contacting us by phone as soon as you have your Administrator's decisions.

Thank you for your consideration.

Sincerely,

Dale W. Sopper

Dale W. Sopper
Assistant Secretary for
Management and Budget

Enclosure

Department of Health and Human Services

FY 1984 Superfund Budget Request

GOALS, OBJECTIVES, AND REGULATORY REQUIREMENT

The program will protect the public health and ensure worker safety and health by preventing illness or death due to exposure of certain hazardous substances released into the environment. This environmental emergency response and remedial effort was addressed on an ad hoc basis by as many as 13 separate Federal departments and agencies in the past. The Superfund law calls for a specific set of health services to be provided by HHS in the Superfund program carried out under Environmental Protection Agency lead. These include activities such as providing scientific support and health advice at toxic dump site inspections and investigations, including emergency sites; conducting health effects surveys, studies, and assessments; conducting research on the toxicological effects of human exposures to chemicals; developing guidelines to protect the health and safety of dump site clean-up workers; and establishing inventories of research literature and studies of toxic substances. CDC is serving as the central focus of the HHS effort, which involves NIH and FDA, to ensure that the appropriate services are available to protect public health and worker safety and to determine the toxicologic implications of the substances associated with Superfund eligible sites.

The above program will be closely coordinated with EPA hazard identification and reduction activities to assure maximum utilization of resources and elimination of the potential for duplicative efforts.

HHS efforts under Superfund are authorized under CERCLA Sections 104(b), (i), (f); 105; 111; and 320(f). The delegation of authority to HHS is specified in Executive Order 12316, entitled "Responses to Environmental Damage," signed August 14, 1981.

Department of Health and Humans Services

FY 1984 Decision Unit Analysis

DU CODE ______ DU TITLE Scientific Support

RESPONSIBLE OFFICE Centers for Disease Control

DECISION UNIT DESCRIPTION AND EXPECTED ACCOMPLISHMENTS

a. Provide the needed health-related scientific support and advice at site inspections and investigations for HHS's and EPA's Regional Response Team member and/or On-scene Coordinator through appropriate staffing in headquarters and the field.

Anticipated FY 1984 Output: Consultative services will be available to EPA personnel to make an assessment of the public health hazards associated with all immediate removal sites and remedial action sites under consideration by EPA.

b. Develop technical guidance and field manuals for use by the EPA On-scene Coordintor to make sure approrpriate consideration is given to ascertaining the potential health hazard of each site and for developing whatever action plan is needed to contain and/or prevent human exposure.

Anticipated FY 1984 Output: HHS will continue to provide updated health specific guidance for EPA manuals and directives.

c. Train Regional, State, and local officials with regard to the implementation of Superfund legislation and how to effectively utilize all HHS resources on a given EPA-designated site.

Anticipated FY 1984 Output: Appropriate HHS staff in all Regional offices will receive updated training and we will continue the FY 1983 training program for State and local officials.

d. Recommend and review environmental test results for indication of human health hazard on all sites which have undergone Site Investigation by EPA.

Anticipated FY 1984 Output: Technical consultation services and written review of EPA environmental sampling test results will continue for Superfund removal and remedial sites as requested by EPA.

EXPLANATION OF CHANGE - 1984 REQUEST VS 1983 EPA ALLOCATION TO HHS

Experience to date has shown the need for multiple consultations with EPA Regional staff, Federal, State, and local officials to obtain sufficient data to make an assessment of the health hazards posed to workers and/or the general public. Typically this has included helping to collect existing data, review of that data, recommendations for additional sampling, analysis of sampling results, and collection and analysis of health-specific data. The increase requested for this category reflects this need for mutiple consultations, including not only the increased number of site visits, but also the anticipated large increase in travel costs. The requested amount also allows for continuation and updating of the training of health officials at the Federal, State and local levels; a decreased, but sufficient, level of technical guidance development; and a slightly increased workload of review of environmental test results.

FY 1984 Decision Unit Analysis

DU CODE ______ DU TITLE Emergency Response

RESPONSIBLE OFFICE Centers for Disease Control

DECISION UNIT DESCRIPTION AND EXPECTED ACCOMPLISHMENTS

a. Provide health-related field guidance and laboratory support at emergency sites through appropriate headquarters and field staff.

Anticipated FY 1984 Output: Provide needed field support and/or consultation by phone to address on-site health concerns at emergency spills and removal actions. In addition provide needed laboratory analysis of human samples required at such sites.

b. The Food and Drug Administration (FDA) will provide staff and laboratory support to investigate on-site and off-site contamination of the food chain through exposure to toxic substances at Superfund designated emergency spills and removal actions.

Anticipated FY 1984 Output: FDA will determine the extent of food chain contamination for all Superfund emergency and removal sites with potential exposure and set up the necessary control or recall measures to mitigate the hazard to human health.

EXPLANATION OF CHANGE - 1984 HHS REQUEST VS 1983 EPA ALLOCATION TO HHS

There has been an unexpectedly greater request for lab services in conjunction with health support services at emergency spills and emergency removal sites. Most of the increase requested for this category reflects the expansion of our capability to provide laboratory analysis of human sampling to document the extent of human exposure in emergency situations, the medical capability to advise on how to mitigate the health effects of such exposure, and for the anticipated increase in air fare to accommodate sufficient funds to travel medical personnel to emergency sites. In addition no provision has been made in the past to fund activities associated with preventing harmful health effects through food chain contamination related to Superfund sites. We are requesting $500,000 to fund such activities in FY 84.

DU CODE ______ DU TITLE Health Surveys and Health Investigation Guidelines

RESPONSIBLE OFFICE Centers for Disease Control

DECISION UNIT DESCRIPTION AND EXPECTED ACCOMPLISHMENTS

a. Develop standard recommended guidelines and protocols for needed laboratory and/or epidemiologic investigations of community requested studies for the evaluation of potential health effects resulting from exposure to toxic waste.

Anticipated FY 1984 Output: Complete guidelines for additional areas that require standardized protocols, particularly to enable States to conduct their own studies with limited technical assistance from CDC.

b. Develop protocols for needed health surveys, studies and/or registries at EPA-designated Superfund sites.

Anticipated FY 1984 Output: Provide EPA with detailed protocols for the establishment of health registries, and conduct of health studies or surveys to more thoroughly assess the health hazard posed to the general public or clean-up crews by specific Superfund sites.

Note:
Cost estimates are based on the assumption that health surveys will be completed in the fiscal year with no out-year costs. Health studies will test specific hypotheses and be short-term (i.e., completed within 1 year). These short-term studies may indicate a need for additional scientific investigation. Disease registries will be established under strict guidelines; however, because of the nature of disease registries, out-year costs will be required for periodic followup.

EXPLANATION OF CHANGE - 1984 HHS REQUEST VS 1983 EPA ALLOCATION TO HHS

The bulk of this increase is a result of restoring the cost of 7 FTE physicians, toxicologists and and other laboratory personnel, and statisticians to the core staff of the Centers for Disease Control responsible for carrying out the provisions of Section 104(i)(1) and (5) of the Superfund Act. It is our understanding that these 7 positions were inadvertently dropped during the 1983 allocation when we had proposed shifting the workload of 3 FTE from the Scientific Support Category, and another 4 FTE from the ongoing Health Assessment Category to this category of Health Surveys and Health Investigation Guidelines.

DU CODE ____ DU TITLE Worker Safety and Health

RESPONSIBLE OFFICE Centers for Disease Control

DECISION UNIT DESCRIPTION AND EXPECTED ACCOMPLISHMENTS

a. Provide training for Federal, State and local government employees involved in clean-up of Superfund emergency, removal and remedial sites.

Anticipated FY 1984 Output: Support the continuation of the FY 1983 training program for State and local health professionals on the subject of worker protection at hazardous waste sites.

b. Automate the guidance manual on worker safety and health for Superfund sites for use by EPA and Coast Guard On-Scene Coordinators.

Anticipated FY 1984 Output: Implement technology transfer of the computer aided portion of the Hazardous Waste Occupational Safety and Health Comprehensive Guidance Manual.

EXPLANATION OF CHANGE - 1984 REQUEST VS 1983 EPA ALLOCATION TO HHS

NIOSH's experience during FY 1982 indicates that state agencies and hazardous waste response firms need access to a constantly updated problem solving occupational safety and health file to adequately protect Superfund clean-up workers. The rapid improvement of the hazardous waste technology, along with the high probability of new personal protection and analytical capabilities demands an automated method to disseminate the information to users. The increase in funds requested will allow for such automation of the printed manual in order to keep it from becoming obsolete. In addition the funds requested will allow for continued training of State and local personnel. Without such a training component, the full benefit of information assembled in previous fiscal years would not be effectively transferred to workers.

DU CODE ____ DU TITLE Toxicology Data Bases

RESPONSIBLE OFFICE Centers for Disease Control

DECISION UNIT DESCRIPTION AND EXPECTED ACCOMPLISHMENTS

a. In conjunction with the National Library of Medicine (NLM), modify software system to ensure user access to the HHS toxicological data bases.

Anticipated FY 1984 Output: Software and suitable hardware will be developed to provide for quick, inexpensive access to the NLM-developed online files, via NLM directly or through existing data networks. This hardware/software package is capable of storage and retrieval of sufficient information relevant to hazardous waste substances to be used in on-site microcomputers; and can be linked into major online systems including all NLM systems and other networks such as CSIN.

b. In conjunction with the National Library of Medicine, augment toxicological data bases with additional chemicals that are known to be present in EPA-designated Superfund dump sites.

Anticipated FY 1984 Output: It is anticipated that in FY 1984 information profiles and/or data base records (such as TDB) will be developed for approximately 350 hazardous waste chemicals. These records will contain data relevant to assessment of human health hazards and determination of public health measures to be undertaken by HHS.

c. In conjunction with the National Library of Medicine, train government officials in hazardous waste information retrieval.

Anticipated FY 1984 Output: Training in search and retrieval methodology for hazardous waste chemical information will be provided for potential field users such as State, county and municipal officials having responsibility for hazardous waste problems. Training will also be provided through the NLM-supported Regional Medical Library Network.

d. In conjunction with the National Toxicology Program (NTP), develop proposals for toxicity testing of chemicals which have been identified in priority hazardous waste sites and for which there are currently inadequate toxicological data.

Anticipated FY 1984 Output: After review of information provided by the National Library of Medicine of availabl toxicological data in compounds identified by EPA at Superfund sites, NTP will develop proposals for toxicity testing of up to 20 of the compounds for which it has been determined that there is inadequate data. Actual testing will be conducted on a reimbursable basis under separate interagency agreement with EPA, through CDC.

EXPLANATION OF CHANGE - 1984 HHS REQUEST VS 1983 EPA ALLOCATION TO HHS

The requested increase for this category will allow for all available health information on a larger number of toxic substances found at Superfund sites to be entered into existing NLM data banks, to enhance access to these data banks through software modifications and a training program, and to provide the necessary staff support to develop the testing proposals. It will also allow for a careful review process which has been found necessary to ensure that those substances found in the greatest quantity, and with the most frequency, are given priority for data accumulation and/or testing for health effects.

Department of Health and Human Services
FY 1984 Superfund Budget Request Analysis
Centers for Disease Control

	FY 1982 Allowance			FY 1983 Allowance			FY 1984 Request		
ACTIVITIES/ ACCOMPLISHMENTS	PFTE	OPFTE	($1000)	PFTE	OPFTE	($1000)	PFTE	OPFTE	($1000)
Scientific Support	18		$1,189	15		$1,423	18		$1,925
Emergency Response	6		438	6		438	6		1,250
Ongoing Studies and Health Associated Assessments	4		400	-		-	-		-
Health Surveys, Health Investigation Guidelines*	11		736	11		788	18		1,710
Worker Safety & Health		5	349		4	326	5		750
Toxicology Data Base**	3		232	3		242	6		780
	42	5	3,344	35	4	3,217	53		6,415

*This line item does not reflect HHS requests for funds to implement health studies. Such requests will be made in separate interagency agreements with EPA.

**This line item does not include HHS requests for funds to conduct toxicity tests by the National Toxicology Program. Such requests will be made in separate interagency agreements with EPA.

FY 84 SUPERFUND BUDGET
FEDERAL AGENCIES' REQUESTS

Department of Health and Human Services

DECISION UNIT	FY 83 LEVEL		FY 84 REQUEST		FY 84 RECOMMENDATION	
3. Health Surveys and Investigation Guidance	FTE	$ 000	FTE	$ 000	FTE	$ 000
a. Standard guidance for lab investigations	11	788	5	375	5	315
b. Develop protocols for health surveys			13	1335	13	1115
TOTAL	11	788	18	1710	18	1430

DECISION UNIT	FY 83 LEVEL		FY 84 REQUEST		FY 84 RECOMMENDATION	
5. Toxicology data bases	FTE	$ 000	FTE	$ 000	FTE	$ 000
a. Software system			.5	200	0	0
b. Additional substance entries	1	100	1	350	1	110
c. Training	*	*	.5	30	0	0
d. Chemical toxicology testing	2	142	4	200	2	150
TOTAL	3	242	6	780	3	260

*New request for FY84

DECISION UNIT	FY 83 LEVEL		FY 84 REQUEST		FY 84 RECOMMENDATION	
4. Worker Safety and Health	FTE	$ 000	FTE	$ 000	FTE	$ 000
a. Safety Training	-	-	3	250	3	250
b. Automate guidance manuals	*	*	2	500	0	0
c. Develop guidance manuals and medical monitoring plans	4	326	-	-	-	-
TOTAL	4	326	5	750	3	250

* New request for FY84

Letter From Richard S. Schweiker, Secretary, Department of Health and Human Services

AUG 23 1982

The Honorable Anne M. Gorsuch
Administrator
Environmental Protection Agency
401 M Street, S.W.
Washington, D.C. 20460

Dear Mrs. Gorsuch:

Thank you for the opportunity to appeal your initial allocation for the Department of Health and Human Services (HHS) activities under Superfund for Fiscal Year 1984. Our revised total request is $4.8 million and 53 FTE, an increase of $0.7 million and 7 FTE over the initial EPA allowance. Enclosed is a detailed listing and explanation of the funding issues we are requesting that you reconsider before making your final recommendations to OMB.

Most of our appeals are in the category of expending the existing toxicology data base, i.e., expanding what is known about the health effects of chemicals found by EPA to be present in the priority Superfund sites. In order to fulfill our responsibility as advisor to you about the health implications related to emergency situations and hazardous waste sites, we must test more chemicals through the National Toxicology Program. This information and other health effects information must also be made available to all relevant Federal, State, and local officials by augmenting existing data bases.

We have not appealed your decisions related to emergency response, nor have we raised again the issue of funding site or chemical specific activities. It is our understanding that funding for these activities will be provided by EPA to HHS under separate interagency agreements in accordance with the planned "Superfund" Memorandum of Understanding between our two departments.

While I understand the difficulties you face in balancing the competing needs among all participating agencies for limited Superfund dollars, I would greatly appreciate your consideration of this appeal to permit us to carry out more effectively the health-related responsibilities under Superfund.

Sincerely,

Dick Schweiker

Richard S. Schweiker
Secretary

Enclosure

Summary of FY 1984 HHS Superfund Budget Appeal

(Dollars in thousands)

	1984 HHS Request		1984 EPA Allow.		1984 HHS Appeal		Revised 1984 HHS Request	
	Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE
1. Scientific Support								
a. Health Assessments.......	$1,125	12	$1,125	12	—	—	$1,125	12
b. Guidance Manuals.........	50	0.5	33	0.5	+$17	—	50	0.5
c. Training.................	450	2.5	200	1	+94	+1.5	294	2.5
d. Review of Site Tests.....	300	3	300	3	—	—	300	3
Subtotal.................	$1,925	18	$1,658	16.5	+$111	+1.5	$1,769	18
2. Emergency Response								
a. Field and Lab Support....	$750	6	$480	6	—	—	$480	6
b. FDA/Mitigate Food Chain Contamination...........	500	—	—	—	—	—	—	—
Subtotal.................	$1,250	6	$480	6	—	—	$480	6
3. Health Surveys and Health Investigation Guidelines								
a. Standard Protocols.......	$375	5	$315	5	+$60	—	$375	5
b. Specific Study Protocols.	1,335	13	1,115	13	—	—	1,115	13
Subtotal.................	$1,710	18	$1,430	18	+$60	—	$1,490	18
4. Worker Safety and Health								
a. Training.................	$250	3	$250	3	—	—	$250	3
b. Guidance Manuals.........	500	2	—	—	—	—	—	—
Subtotal.................	$750	5	$250	3	—	—	$250	3
5. Toxicology Data Bases								
a. Software Modification/NLM	$200	0.5	—	—	+$200	+1	$200	1
b. Additional Substance Entries/NLM.............	350	1	$110	1	+240	—	350	1
c. Training/NLM.............	30	0.5	—	—	—	—	—	—
c. Toxic. Test Proposals/NTP	200	4	150	2	+150	+4	300	6
Subtotal.................	$780	6	$260	3	+$590	+5	$850	8
Total.............	$6,415	53	$4,078	46.5	+$761	+6.5	$4,839	53

HHS SUPERFUND FY 1984 BUDGET APPEAL

I. SCIENTIFIC SUPPORT

	Funds	FTE
HHS Request	$1,925,000	18.0
EPA Allowance	1,658,000	16.5
HHS Appeal	+110,750	+1.5

o A total of 18 positions is vitally needed in this category to assist EPA in meeting the most basic requirement assigned to our Department — making the initial assessment of the possibility of imminent and substantial danger to the public health from hazardous substances. To assist us in the data gathering process and analysis of pertinent health information, we need to train Regional, State, and local health officials in this process.

We have allocated part of the time of each of our field staff (CDC/EPA Regional Assignees) and of our headquarters staff funded in this category to do this training. In short, roughly 10% of everyone's time would be devoted to training activities — both in formal sessions and, more commonly, in "on-the-job" training. The effect of reducing the FTE by 1.5 person years is to restrict the number of field and headquarters staff responsible for health assessments as well as for training. The cost for restoring the 1.5 FTE is $93,750. (Average cost per person in this category is $62,500 per year—a combination of Senior Public Health Advisors and Physicians.)

o We are also appealing the $17,000 cut from the guidance manual subcategory. This $17,000 is for travel for HHS personnel (primarily SIG headquarters staff) to meet with EPA officials at headquarters and the regions to develop guidance documents and/or to clarify same.

II. EMERGENCY RESPONSE

	Funds	FTE
HHS Request	$1,250,000	6
EPA Allowance	480,000	6
HHS Appeal	-0-	-0-

o It is our understanding that additional funds will be made available for both CDC field guidance and lab support and FDA investigations on a site-specific reimbursable basis under separate interagency agreements. As long as this is the case, HHS has no appeals in this category.

III. HEALTH SURVEYS, STUDIES AND INVESTIGATION GUIDANCE

	Funds	FTE
HHS Request	$1,710,000	18
EPA Allowance	1,430,000	18
HHS Appeal	+60,000	+0

o We are appealing $60,000 in the standard guidelines and protocols (Subcategory a) to cover the full cost of the 5 FTE (average FY 1984 costs for medical and lab personnel is $75,000 per year). Costs for travel, Peer Review Committees, computer time, etc. will be absorbed in the funds allocated in Subcategory b for both standard and site specific protocol development.

IV. WORKER SAFETY AND HEALTH

	Funds	FTE
HHS Request	$750,000	5
EPA Allowance	250,000	3
HHS Appeal	-0-	-0-

- We remain concerned that chemical specific guidance for protecting worker safety will be changing rapidly with technology innovation. There will be a clear need in the coming years to get this information to EPA field personnel and/or their contractors. However, given technical difficulties in designing the "automated manual", we are not appealing this cut at this time, but would like to work with EPA on a system of rapid transfer of new worker safety information.

V. TOXICOLOGY DATA BASES

	Funds	FTE
HHS Request	$780,000	6
EPA Allowance	260,000	3
HHS Appeal	+590,000	+5

- HHS appeals the entire $200,000 and 1 FTE requested for developing software systems to make existing toxicology data bases more useful to on-site response team personnel through easier and less expensive access in general and through increasing the quality and quantity of toxicology information available on-site (Subcategory a). All current online toxicology data bases have limitations which restrict their usefulness at the site of hazardous waste spills or dumps. They are detailed and complex, having been developed for the use of highly specialized researchers and information specialists; are available online only at certain operating hours; and are costly to use. The proposed software system would allow for the data bases to be modified for quick and less expensive access in a simplified form through equipment that could be located at, or linked to response offices at the hazardous waste or spill site. This system could be available on a continuous basis by non-expert online data base users; e.g., State or local health officials.

  This system will be used in conjunction with a microcomputer-based Distributed Information Delivery System, developed by the National Library of Medicine (NLM) and already field-tested. These systems will be adapted for on-site storage and retrieval of hazardous waste information files of both NLM and non-NLM sources, such as the Chemical Substances Information Network (CSIN), the Chemical Information System (CIS), the Toxicology Data Base (TDB), TOXLINE, MEDLINE, or commercial systems like Lockheed.

- We are also appealing an additional $240,000 to enable us to add toxicology information to our data bases on an estimated 350 hazardous chemical substances (Subcategory b). The initial EPA allowance of $110,000 would permit only 100 such substances to be added. Experience so far in responding to information needs at hazardous waste sites indicates that records for many more substances need to be prepared or enhanced in order for HHS to respond in a timely manner. The system to effectively build these toxicology records is in place and working, and, with the proper resources, can efficiently prepare the additional records needed.

- While training in effective retrieval of hazardous chemical information by field users is considered highly desirable, the HHS will not appeal the elimination of the requested funds (Subcategory c). Such training may be incorporated in other training programs or will be the subject of further EPA/HHS requests, as the need arises.

- As a result of our review of the National Toxicology Program (NTP) 1984 needs based upon current information regarding NTP Superfund activities, we are now appealing for a total of 6 FTE and $300,000 for developing proposals for toxicity testing (Subcategory d). This is an increase of 2 FTE and $100,000 over the original 1984 request and 4 FTE and $150,000 over the preliminary EPA allowance.

  Our initial budget proposal for NTP work would have provided NTP a core of staff to absorb some of the major additional work in this area. Our planning activities since that time lead us to believe that our early estimates were too modest and do not provide NTP with the level of staffing required for the planning, chemical selection, testing, and management support required to carry out NTP responsibilities in the Superfund area. The even lower EPA initial allowance of 2 positions and $150,000 is clearly inadequate for the task.

  EPA testimony at the recent Senate and House hearings on the implementation of Superfund, as well as the views of the Members of the House and Senate Committees concerned with this legislation, clearly indicate that HHS is to play a key role in the health determinations related to hazardous dumps. In our view, this responsibility is predicated upon our being able to develop and assemble a comprehensive and reliable body of knowledge related to a wide variety of toxic chemicals. This will require more - not less - testing by NTP. As previously agreed to in discussions by HHS and EPA, these testing activities will be funded separately by reimburseable agreement between the two agencies. However, the effectiveness of these testing activities will rest on the adequacy of their planning and coordination, for which additional funds are necessary.

FY 84 SUPERFUND BUDGET
FEDERAL AGENCIES' REQUESTS

Department of Health and Human Services

DECISION UNIT	FY 83 LEVEL		FY 84 REQUEST		FY 84 RECOMMENDATION	
1. Scientific Support	FTE	$ 000	FTE	$ 000	FTE	$ 000
a. Consultation	15	1423	12	1125	12	1125
b. EPA Guidance Manuals			.5	50	.5	33
c. Training			2.5	450	1	200
d. Review site tests			3	300	3	300
TOTALS	15	1423	18	1925	16.5	1658
2. Emergency Response	FTE	$ 000	FTE	$ 000	FTE	$ 000
a. Field guidance and lab support - emergency	6	438	6	750	6	480**
b. FDA investigations	*	*	0	500	0	0**
TOTAL	6	438	6	1250	6	480

*New request
**Additional site specific funding to be provided as necessary.

Letter From Anne M. Gorsuch, Administrator, Environmental Protection Agency

AUG 12 1982

THE ADMINISTRATOR

Honorable Richard S. Schweiker
Secretary of Health and Human Services
Washington, D.C. 20201

Dear Mr. Secretary:

I wish to thank you for the prompt submission of the Department of Health and Human Services' fiscal year 1984 budget request for activities pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA). I have reviewed your request and my decision is enclosed. Staff in both the Office of Emergency and Remedial Response and the Office of the Comptroller are available between now and August 20, 1982, to discuss with your staff the specific justifications supporting my enclosed decisions.

As you are well aware, the primary objectives of CERCLA are to establish a program to cleanup inactive, uncontrolled hazardous waste sites and to respond to releases or threatened releases of hazardous substances into the environment. As Trust Fund manager, my highest priority is to meet these legislative objectives while insuring that the most judicious use of Trust Fund resources is made in support of emergency and remedial response activities. My decisions on the consolidated FY84 Superfund budget reflect this goal.

As we discussed in detail during the meeting of the Hazardous Substance Response Trust Fund Budget Task Force, held on July 13, 1982, the consolidated budget to be submitted to OMB will include only those ongoing activities which support an agency's continuing role under the legislation or Executive Order 12316. An agency's ongoing activities will be funded via a transfer appropriation account to be established beginning in FY83. All other activities pursuant to CERCLA are considered incident specific activities. Costs related to incident specific activities will be funded on a reimbursable basis. Any activities included in your submitted request which are incident specific are therefore not appropriate for specific inclusion in the consolidated budget request. Such activities have been noted in my enclosed decision.

Additionally, I wish to again bring to your attention that with submission of the consolidated Federal budget to the Office of Management and Budget (OMB), the Environmental Protection Agency (EPA) will transmit to OMB the agencies' needs for personnel and dollar resources. However, it is important for the agencies to note that the Hazardous Substances Response Trust Fund will provide dollar resources only. Additional personnel required by a Federal agency for Superfund activities must come from within an agency's existing personnel ceilings or be provided to the agency by OMB.

Due to the short time available to complete the budget package for submission to OMB, appeals concerning the enclosed decisions must be received by August 20, 1982. Maryann Froehlich in the Office of Emergency and Remedial Response (382-2452) and Jim Horne in the Office of the Comptroller (382-4198) are available to answer any questions that you may have concerning these decisions. Should issues remain outstanding after the appeal period EPA may convene a meeting of the affected agencies.

Again, thank you for the prompt attention you have given this matter.

Sincerely yours,

Anne M. Gorsuch

Enclosures

FY 84 SUPERFUND BUDGET
FEDERAL AGENCIES' REQUESTS

Summary
Department of Health and Human Services

DECISION UNIT	FY 83 LEVEL		FY 84 REQUEST		FY 84 RECOMMENDATION	
	FTE	$ 000	FTE	$ 000	FTE	$ 000
1. Scientific support	15	1423	18	1925	16.5	1658
2. Emergency Response	6	438	6	1250	6	480
3. Health surveys	11	788	18	1710	18	1430
4. Worker safety and health	4	326	5	750	3	250
5. Toxicology Data Base	3	242	6	780	3	260
TOTAL	39	3217	53	6415	46.5	4078

QUALITY OF SCIENCE

Question: In October, Mr. Cannon, your Associate Administrator for Policy and Resource Management, was quoted as saying: "EPA's major contribution will be in the scientific arena. Improving the way we assess risk and the quality of our scientific work in general is one of the central tasks of our administration."

What are you doing to improve the quality of your scientific work in general and risk analysis in particular?

Answer: The Agency's Office of Research and Development (ORD) is taking several actions to improve the scientific quality, relevance and usefulness of its research products. One of the highest priorities is to improve the quality and validity of the data which EPA generates through the implementation and monitoring of a vigorous quality assurance (QA) program. Another effort which will improve the scientific quality of EPA research is the implementation of a laboratory peer review program. Major portions of the research program are being peer reviewed on a systematic basis. Other specific activities which will improve the timeliness and usefulness of research products include: modification of the planning process to strengthen further the linkage between the research function and client program offices in EPA through the development of broad strategy documents for each of EPA's major media responsibilities; and development of an automated information system which clearly links strategic objectives to planned accomplishments and subsequently to specific research outputs.

In order to improve the quality of its risk assessment the Agency will be expanding the budget for ORD risk assessment support to the program offices in fiscal year 1984. Total funding will increase by $2 million, which represents a 21 percent increase in total funding and a 76 percent increase in extramural R&D. ORD's program is also continuing to develop and make available to the Agency new and improved methodologies for risk assessment--an example is fiscal year 1984 work on guidelines for reproductive toxicity assessment. Finally, ORD's health research program will work on developing a data base to support improved risk assessment methodology development; for example, in drinking water work will be carried out on improving extrapolation of effects observed in animals to probable effects on people.

RESEARCH EMPHASIS

Question: Please provide a list of the major research program areas that are to be increased in FY 84, those that will remain relatively stable and those that will be decreased.

Answer: The table below shows the major changes to the research and development budget in 1984.

1984 Research Budget

Research Program	$(M)	Change from 1983	
		Total	Excluding Exploratory Research Transfer
Air	$51.2	-$8.2	(-$ 3.7)
Water	19.2	-11.3	(- 10.2)
Drinking Water	20.9	-2.4	(- .5)
Hazardous Waste	27.4	-5.6	(- 3.2)
Pesticides	6.1	-.5	(- .2)
Radiation	.2	-1.5	(- 1.5)
Interdisciplinary	18.1	+11.0*	(- 1.8)
Toxic Substances	23.8	-3.4	(- 2.2)
Energy	23.5	-1.5	(- .1)
Management	8.7	-	(0)
Superfund	6.4	+.1	(+ .1)
	$205.5	-$23.3	(-$23.3)

* Increase represents transfer of exploratory research funds from other media. Numbers in parenthesis represents change from 1983 excluding this transfer.

Question: Please describe the rationale for the research priorities that you have established in your FY 84 budget.

Answer: Specific research areas that have received priorities are as follows:

- ° In the air media, we have strengthened the scientific basis of our regulations and standards, particularly in the hazardous air pollutant area, by increasing our scientific assessment resources by $2.1 million.
- ° Environmental research in water quality increases by $1.2 million to provide additional support for the water quality based regulatory approach.
- ° Acid rain research has increased by $1.5 million to $14 million to reflect our continued concern in understanding the causes, atmospheric processes and effects of this phenomenon.
- ° Quality assurance has been enhanced by increasing resources by $1.3 million in the superfund, drinking water, and pesticides media.
- ° Finally, there is an increase of $.7 million in toxics health effects, the majority of which is for improving risk assessment methods.

The following research programs will be funded at approximately the same level in 1984 as in 1983.

- Total health research will be funded at $50.6 million in 1984, a slight increase over 1983, to ensure that we have the information necessary to protect the health of the American people.
- Ground water research remains at the same level in 1984, $8.1 million, and will provide the necessary scientific and technical information to enable the nation to address ground water pollution issues.
- Health, environmental, and monitoring research to support the cost effective implementation of the hazardous waste program will continue at comparable 1983 levels.
- The National Crop Loss Assessment Network will be maintained but at a slightly lower level reflecting the completion of most field work.
- The exploratory research grants and centers will be funded at the same level as in 1983, $13.4 million.

Reductions to the research budget reflect the completion of work in several programs and the reorientation of the program away from areas that are not as directly relevant to EPA's legislative mandates. The reductions primarily occur in three areas:

- A reduction of $17.1 million in the environmental engineering program where control technology development activities are eliminated. The exception is for the continued development of the Limestone Injection Multistage Burner (LIMB), which supports the acid rain research program.
- A reduction of $2.5 million in the Great Lakes program reflecting the completion of this research. Water quality research relevant to the Great Lakes will continue in other programs.
- A reduction of $1.5 million resulting from the elimination of the non-ionizing radiation health effects program. This reflects the fact that research work in support of the radio-frequency guidance, to be issued in 1984, will be completed.

IMPROVING THE QUALITY OF SCIENCE

Question: Your budget justification indicates the EPA will continue to "improve the quality of its science" in support of your regulatory and public health responsibilities.

What specific activities do you intend to undertake during FY 84 to accomplish this improvement?

Answer: The Agency's Office of Research and Development (ORD) is taking several actions to improve the scientific quality, relevance and usefulness of its research products. One of the highest priorities is to improve the quality and validity of the data which EPA generates through the implementation and monitoring of a vigorous quality assurance (QA) program. An Agency QA policy committee has been established to oversee QA efforts and to recommend any necessary remedial measures. In addition, a manual is being prepared which will describe the specific roles EPA and ORD managers must assume in implementing QA procedures.

Another effort which will improve the scientific quality of EPA research is the implementation of a laboratory peer review program. Major portions of the research program are being peer reviewed on a systematic basis. Other specific activities which will improve the timeliness and usefulness of research products are: modifications of the planning process to strengthen further the linkage between the research function and client program offices in EPA through the development of broad strategy documents for each of EPA's major media responsibilities; and development of an automated information system which clearly links strategic objectives to planned accomplishments and subsequently to specific research outputs.

Quality assurance has also been enhanced by increasing resources by $1.3 million in the superfund, drinking water, and pesticides media.

TRAINING PROGRAMS

Question: Please provide a list of EPA training grants and programs and the funds available for each of these programs in fiscal year 80, 81, 82, 83 and 84.

Answer: (dollars in thousands)	FY 1980 Budget Authority	FY 1981 Budget Authority	FY 1982 Budget Authority	FY 1983 Budget Authority	FY 1984 Request
ACADEMIC TRAINING GRANTS:					
Air	$480.0	$320.0	$300.0	$310.0	0
Water Quality	405.0	270.0	169.0	270.0	0
Drinking Water	350.0	233.0	169.0	200.0	0
Solid Waste (RCRA)	90.0	60.0	122.0	35.0	0
Interdisciplinary	175.0	117.0	200.0	185.0	0
Noise	0	0	40.0	0	0
TOTAL ACADEMIC TRAINING	$1,500.0	$1,000.0	$1,000.0	$1,000.0	0
OTHER TRAINING PROGRAMS:					
Air Training	$1,067.0	$1,037.0	$900.0	$892.1	$731.6
National Rural Water Association Grant Training	1,400.0	1,550.0	1,823.0	1,900.0	0
Waste Treatment Manpower Training	2,448.4	2,654.9	4,103.0	2,625.2	0
RCRA Permits Training	0	23.4	24.7	25.0	25.0
Pesticides Training	1,366.0	1,300.0	1,137.5	1,070.0	1,170.0
EPA Professional Training	518.7	376.4	412.0	497.4	507.6
TOTAL OTHER TRAINING	$6,800.1	$6,941.7	$8,400.2	$7,009.7	$2,434.2
TOTAL TRAINING PROGRAMS	$8,300.1	$7,941.7	$9,400.2	$8,009.7	$2,434.2

Senator Garn—Continued

STATE GRANTS

Question: Page 81 of your Budget Summary contains a comparison of the FY 1982, FY 1983 and FY 1984 State Grant Programs. These levels are about $239 million for 1982, $233 million for 1983 and $173 million for 1984. The 82-83 decrease of about $6 million reflects the Congress' desire to maintain the Grant Program at the FY 1982 Program Level.

I am pleased to see that your budget reflects your intent to honor this commitment.

Could you compare your grant awards and dollar amounts through March FY 1983 with the same period in FY 1982?

Answer: The following table compares the March 1983 and March 1982 grant awards and obligations.

ENVIRONMENTAL PROTECTION AGENCY
Analysis of State Grant Awards and Obligations
(Cumulative through March)

GRANTS	March 1982 Number of Awards	March 1982 Obligations ($000)	March 1983 Number of Awards	March 1983 Obligations ($000)	Change Number of Awards	Change Obligations ($000)
AIR						
Section 105	145	$50,851.4	115	$58,223.9	-30	+$7,372.5
WATER QUALITY						
Section 106	91	45,225.0	66	43,224.3	-25	-2,000.7
Clean Lakes						
DRINKING WATER						
Public Water Systems Program Grants	103	23,158.5	53	21,580.3	-50	-1,578.2
Underground Injection Control Program	44	3,297.1	23	3,032.4	-21	-264.7
HAZARDOUS WASTE						
Hazardous Waste	69	28,058.5	48	30,141.3	-21	+2,082.8
PESTICIDES						
Pesticides Enforcement Grants	63	5,239.8	51	5,725.2	-12	+485.4
SUBTOTAL	515	$155,830.3	356	$161,927.4	-159	+$6,097.1
CONSTRUCTION GRANTS	888	305,535.4	1,165	1,147,106.6	+277	+841,571.2
TOTAL	1,403	$461,365.7	1,521	$1,309,034.1	+118	+$847,668.3

DELEGATION OF ENVIRONMENTAL PROGRAMS AND PROPOSED REDUCTIONS IN STATE GRANTS

Question: On page S-1 of your budget justification, you state that grants to State and local governments can be reduced because of EPA's efforts to eliminate program duplication in its grant process, simplified administrative requirements, reduced regulatory demands and alternative funding sources.

Some additional detail on the steps taken under these four categories is provided under the air, water quality and other detailed sections of the budget justification, but you do not estimate dollar savings accruing to the States for any of these steps. Because of the lack of dollar information, it is difficult to assess the relative importance of each step or determine if collectively these actions offset all or only part of the proposed grant reductions.

Last year, for the fiscal year 1983 proposed State grant reductions, EPA conducted a study which outlined the various options that could be used to offset the grant reductions.

Has EPA revised or updated last year's study on proposed grant reductions or conducted a new study which quantifies the savings attributable to the actions it has taken or plans to take which could result in lower State costs?

Answer: EPA has not revised or updated that study. Because they work daily with grantees and have proposed the reforms, the program offices which developed the grant submissions have a realistic view of the savings that could be expected; their submissions reflect that view.

Question: Has EPA, in its meetings with State environmental officials, reached agreements as to how grant reductions can be made without loss of program effectiveness and if so, can these agreements be used as a basis for calculating the proposed grant reductions?

Answer: EPA has reached no agreements with State environmental officials on grant reductions.

Question: One of EPA's highest priorities has been the delegation of environmental programs to State and local governments. A key issue, however, concerns EPA's role in making sure that programs once delegated are administered properly. According to EPA, in addition to its proper oversight role, an important question is how it can insure that individual States don't relax national environmental standards to compete for industrial development.

Will EPA seek external review of the measures it intends to use to assess the effectiveness of State and local environmental programs?

Senator Garn—Continued

Answer: One of the principles of EPA oversight is that EPA's assessment of State and local effectiveness should be based upon objective measures and standards which are agreed upon in advance by EPA and State officials. Useful oversight can occur only if everyone involved understands what specific standards are to be met and how success in meeting them is to be measured. This is so that when the time comes for assessment, everyone can agree on whether or not the standards were met. Reaching that agreement is perhaps the most difficult part of oversight and will require external review of these measures in advance by the affected officials. We are already beginning to develop these measures in consultation with existing organizations such s the National Governors' Association, the State and Territorial Air Pollution Program Administrators, the Association of Local Air Pollution Control Officials, the Association of State and Interstate Water Pollution Control Administrators, and the Association of State and Territorial Solid Waste Management Officials.

Question: When will EPA have a program in place that will measure the effectiveness of State and local environmental programs and will the results of those measures be published and available for public review?

Answer: More mature programs, where delegation is now more fully in place, are proceeding at a more rapid rate to supplement existing grant reviews with a more comprehensive system of results-oriented oversight based on objective measures and standards. The Office of Air, Noise and Radiation, for example, is currently developing a set of audit criteria in conjunction with STAPPA/ ALAPCO for use in conducting program audits in fiscal year 1984. The Office of Water is working with ASIWPCA to develop a common format for reporting water quality data, which should improve the information available to track progress. In addition, oversight guidance for the construction grants program is now being reviewed by an EPA-State team.

Question: What resources are included in your fiscal year 1984 budget request for the assessment of State compliance?

Answer: We rarely identify resources strictly for "assessment of compliance." Nevertheless, we have identified the following related resources.

EPA's construction grants management program has approximately 150 total workyears for overview of delegated State construction grants management programs. In addition, the water program has approximately 30 total workyears associated with overview of State water quality management planning activities.

The Air program contains about 108 total workyears for overview of State air programs. The Regional pesticides program contains 35 total workyears for similar activities. We estimate that approximately 25 percent of the Hazardous Waste Regional program, or about 100 total workyears, is devoted to that activity. The Drinking Water program has 43 total workyears devoted to supporting primacy States.

In addition to these Regional resources, Headquarters components and a relatively smaller amount of Management resources could be attributed to assessment of State compliance.

Question: On page A-75, you State that one way States can effect the 17% grant reductions in the air area is through increased collection of fees for permits required by the Clean Air Act. This is a politically sensitive issue in many States, however, and according to a June 1982 National Governors Association survey report, only 20 States actually collect permit fees. The 1977 amendments to the Clean Air Act require States to include permit fee provisions as part of their State Implementation Plans, but according to EPA officials in the air program, EPA has not agressively enforced this provision of the Act.

Has EPA aggressively enforced this provision of the Clean Air Act?

Answer: The Agency has assigned enforcement of the Act's permit fee provisions a relatively low priority in order to allow focus of limited resources at both Federal and State levels on meeting those requirements which directly affect public health and welfare. Accordingly, it has been our policy to provide the States with the legal background, legislative history, and guidance on how to implement a fee system, as contained in guidance the Agency has prepared, and encourage them to adopt such provisions. We have not, however, exercised our authority to insert a permit fee system into the SIP of a State that has not yet adopted such a system.

Question: Has EPA published criteria to use in evaluating State compliance with this provision of the Act?

Answer: The criteria EPA uses to evaluate State compliance with Section 110(a)(2)(K) may be found in the Permit Fee Guideline. (U.S. Environmental Protection Agency, Research Triangle Park, N.C., EPA-450/2-81-003, September 1981.) The Guideline does not set out requirements in absolute terms, but rather explains the legal and technical basis on which a State could develop a permit fee system. Accordingly, EPA would approve any fee system so developed and would consider for approval other systems developed along parallel lines. The Guideline contains a chapter on costs which may be covered by a permit system.

Question: If it makes sense for individual States to employ user charges or permit fees, why has EPA not set the example by charging fees in non-delegated States where it operates air and other environmental permit programs?

Answer: EPA has been examining fees for its programs but has not put systems in place within non-delegated States. Our analysis shows other candidates (e.g., ocean disposal, marine discharge waivers, and pesticides registration) whose revenues would overwhelm those from EPA programs in non-delegated States. Moreover, EPA is still encouraging delegation to States not currently operating our programs; we hope that the length of time for EPA to charge the fee will be very short.

Question: EPA is proposing a 55.7% reduction in Section 106 grants. These funds have traditionally been used for State water quality standard setting, water discharge permit issuance and other activities. According to EPA's justification, this reflects availability of funds under Sections 205(g) and 205(j). Section 205(j) funds were made available by the 1981 construction grants amendments and in Fiscal Year 1984, may total $24 million. These funds are for state water quality management planning activities. Section 205(g) funds have been available for a number of years to assist States in managing their construction grants programs.

Does EPA intend to allow the use of Section 106, 205(g) and 205(j) grant funds interchangeably?

If so, does this violate the intent of Congress in authorizing separate grant provisions under the Act?

Answer: No. Sections 205(g) and (j) of the Clean Water Act and EPA regulations limit use of these funds by States to specific eligible activities. Section 205(g) funds are available for Sections 402, 404, or 208(b)(4) activities only after States have achieved substantial delegation of the construction grants program and have adequate funds available to manage ongoing construction projects to completion. Section 205(j) funds are limited to use for specified water quality management planning activities. EPA will ensure adherence to these requirements in approving State use of these funding sources. Although Section 106 funds may be used to support any of the activities eligible under Sections 205(g) and (j), we expect that States will use Section 106 funds in 1984 almost exclusively for permitting, enforcement, and overall State program management needs. Available Sections 205(g) and (j) funds will be used for other eligible priority activities.

Question: In September 1980, EPA published a draft Water Quality Management Needs Assessment fiscal year 80-84. The study was undertaken to identify the fiscal and manpower resources required by State, interstate and area-wide agencies to protect water quality and achieve the goals of the Clean Water Act. It projected fiscal year 1984 needed Federal financial assistance for Section 106 and 208 activities at $177.0 million. Even when including 205(j) funding, EPA's current fiscal year proposal for these activities is $48 million-quite a large discrepancy from assessment results. I am not aware of any EPA analysis updating the original study.

Has the Water Quality Management needs assessment been updated for Fiscal year 1984?

If not, would such an analysis help determine the appropriate level of needed water quality assistance?

What analytical basis was used?

Answer: The 1980 Assessment has not been updated and there are no current plans to do so. Although that Assessment identified needs of $177 millon, the needs represent total Federal and State funding needs. In addition, the needs were based on national program priorities and assumptions in place at that time. Since the completion of the assessment, there have been changes in the Clean Water Act, numerous regulatory and adminstrative reforms, and implementation of a more targeted, more cost-effective water quality needs-based approach to water pollution control. We believe these significant changes in program direction have reduced the overall funding needs identified in 1980. The funds available to States under all Federal statutory authorities, together with increasing State resources commitments, should enable States to meet highest priority 1984 program requirements.

Question: In September 1980, EPA published a study entitled Operations/Resource Impact Analysis. The study was designed to answer the question "What resources do EPA and States require to implement the regulations promulgated under authority of subtitle C of the Resource Conservation and Recovery Act of 1976?". The study estimated that in order to run adequate programs, States would require hazardous waste grants from $42 million to well over $60 million depending on equipment needs. EPA's proposed fiscal year 1984 hazardous waste grant level is $42.5 million, which is at the low end of the study's projected range. I am not aware of any EPA attempt to update the original study.

Has EPA updated Operations/Resource Impact Analysis for use in setting the proposed fiscal year 1984 Hazardous Waste grant level?

If not, what analytical basis was used?

Answer: The Operations/Resource Impact Analysis (ORIA) was last updated in draft form in September, 1981. The ORIA has not been used since that time because the Agency felt that it was unnecessarily complex, particularly in light of the fact that the data available at this early point of hazardous waste program implementation is not sufficiently reliable to support the complicated analyses involved in the ORIA.

The 1984 budget request for State grants was developed using a set of assumptions and pricing estimates which are similar to the ORIA calculations, but are more simplified and easier to revise, in keeping with the preliminary nature of the data. These assumptions and estimate are updated as better information becomes available.

NEW RULES FOR FINANCIAL ASSISTANCE TO STATE AND LOCAL GOVERNMENT

Question: On October 12, 1982, you announced a major overhaul of your regulations governing financial assistance to State and local government.

Could you describe the changes that have been made, the expected savings in dollars and paperwork hours and the reaction of State and local governments?

Answer: The Financial Assistance for Continuing Environmental Programs regulation amends the financial assistance requirements for nine grant programs administered by EPA. It consoidates in one regulation (40 CFR Part 35, Subpart A) administrative procedures for awarding and managing State and local grants previously found in 40 CFR Part 35, Subparts B, F, and G. It eliminates unnecessary requirements and establishes uniform, simplified procedures for as many of the remaining requirements as possible.

The regulation was developed in conjunction with associated program regulations to avoid any overlapping or duplicative requirements. The nine programs covered by the Financial Assistance regulation include grant programs for air pollution control, water pollution control, State management of the construction grants program, water quality management planning, public water system supervision, underground water source protection, hazardous waste management, pesticide enforcement, and pesticide applicator certification and training.

In the process of developing one regulation for these nine programs, grams, EPA made several changes which will make it easier for State and local governments to comply with Federal requirements, which reduce paperwork to be submitted, and which enable maximum State flexibility. The regulation sets forth definitions of the various terms relating to financial assistance now making them standard in all programs. The regulation also makes uniform the application process. It eliminates the requirement for a preliminary application allowing applicants and EPA to develop individual procedures for defining and agreeing upon a work program and application. It eliminates the requirement for State/EPA Agreements prior to a State's receiving financial assistance, although such Agreements are still encouraged. Additionally, it eliminates the required documentation of consistency with all applicable EPA documents, substituting self-certification.

Changes in work plan requirements also promote flexibility and reduce applicant burdens. The regulation eliminates specified formats and requires only that all applicable information items be included in an applicant's format; it reduces required narrative limiting it to the proposed work plan, selfcertification of consistency with EPA documents, and an evaluation of current progress; and for the future clearly limits maintenance of effort to expenditures in one approved program thereby enabling applicants to submit entire work programs in a particular area.

Additional changes reduce applicant burdens. Applicants may establish their own budget period in consultation with EPA instead of using the Federal fiscal year as required before, and are encouraged to request consolidated grant awards allowing for a single budget and work program to cover more than one assistance program. Additionally, the regulation reduces management and evaluation responsibilities and limits the evaluation process to key areas defined in consultation with applicants and to intervals specified in the assistance agreement. Although the exact savings in dollars and paperwork hours for each of these changes have not been specifically quantified, they are significant in light of the above process simplifications.

Reaction to the changes made by this regulation have been favorable. During the public comment period EPA received only sixteen letters and five telephone calls. Several letters supported totally the proposed rule. Other commenters supported the rule in general but recommended changes to particular sections with several recommendations incorporated. No major changes were required.

OMB ENFORCEMENT REQUESTS

Question: Please provide, for the record, a list containing your initial request to OMB and the amount now contained in your budget for each of your enforcement programs.

Answer: FY 1984 Enforcement Request

	OMB Request		Congressional Request	
	PFTE	Total $*	PFTE	Total $*
Air	331.9	$20,410.1	331.9	$20,720.1
Water Quality	500.7	$26,502.4	500.7	$26,987.6
Drinking Water	29.7	$1,021.9	29.7	$1,114.3
Hazardous Waste	70.1	$3,393.0	70.1	$3,509.5
Pesticides	90.9	$13,392.4	90.9	$13,138.8
Interdisciplinary	241.8	$12,707.2	214.4	$11,655.9
Toxic Substances	82.2	$3,467.3	87.1	$3,786.2
Superfund	206.5	$21,755.3	206.5	$22,106.0
Total	1,553.8	$102,649.6	1,531.3	$103,018.4

* Dollars in thousands

SUPERFUND TRAVEL

Question: Section 401 of the HUD and Independent Agencies Appropriation Bill limits travel for each appropriation to the amounts estimated in the President's Budget. There is some concern whether this general limitation should apply to the implementation of Superfund. Has EPA experienced any problems in remaining within the travel ceiling established under Section 401? Please describe your experience during 1983 in operating within this ceiling and provide any general problems which may make application of Section 401 inappropriate for Superfund.

Answer: During the first half of 1983, EPA has experienced difficulty operating within the travel limitation established under Section 401. Specifically, the Agency has experienced the following problems:

- When the fiscal year 1983 Budget Request was developed EPA had only its experience in fiscal year 1982 and late fiscal year 1981 on which to base a request for travel funds for the Superfund program.

Senator Garn—Continued

- The program focused on the development of guidance and policy during the first year of implementation. While these start-up activities were essential they provided little actual field operational experience on which to base the Agency's travel request for fiscal year 1983.

- In addition, the fiscal year 1983 Budget Request for travel could not adequately take into account the impact of large scale emergency situations such as the Missouri dioxin problem on the Agency's Superfund travel needs. Region's VII travel in support of Superfund is expected to exceed their original plan by $100,000 or 144 percent.

- Overall, the Agency has obligated approximately 50 percent of available travel funds at mid-year. This travel supported obligations of 30 percent of the total Superfund dollars. Our current plan is to obligate the remaining 70 percent of the program funds in the last half of the fiscal year. If we are to meet this goal, the Agency will require a substantial addition to its travel ceiling.

- It is clear that without additional travel ceiling, the Agency will have to begin to slow Superfund implementation.

Our experience in 1983 has highlighted several problems in accurately estimating travel needs for the Superfund program and of remaining within a prescribed ceiling based on estimates developed more than a year in advance.

- The need to respond to emergency situations such as Missouri makes it difficult to project travel needs. While the Agency can and does estimate the number of emergency actions that will occur in a given year there is no method to account for emergency situations of the magnitude of the Missouri dioxin problem. Experience over the last several years (i.e., Love Canal, Memphis, Missouri) indicate that we will continue to have unexpected large scale emergencies.

- Each site response action will differ substantially. The travel requirements will be dependent on a number of factors such as community involvement, technical complexity, location, etc. This lack of any average site makes it difficult to determine in advance the travel needs for site response actions.

- The relative newness of the program and the lack of similar programs on which to base travel needs have made it difficult to accurately estimate travel needs.

QUESTIONS SUBMITTED BY SENATOR HUDDLESTON

WATER QUALITY STATE GRANTS

Question: EPA justifications suggest that Section 205(g) and 205(j) funding can be substituted for Section 106 funding. However, it is my understanding that 205(j) funding cannot be used for toxic control and that 205(g) funding is needed for the purpose for which it was appropriated, i.e., wastewater treatment.

Exactly how much do you anticipate being available for permitting and enforcement activities from Section 205(g) and 205(j) in fiscal year 1984?

Answer: Funding under Section 205(j) can be used to support toxic control measures, for example, in standard setting for toxic pollutants. Statutory limitations on the use of Section 205(j) funds preclude their use for direct permitting and enforcement activities. However, 205(j) funds, totalling approximately $24 million, will be used to conduct activities in support of State permitting and enforcement activities including updating of State planning processes and plans, development of water quality data needed for permitting, and review of proposed permits and construction grants for consistency with approved plans. Based on our data, $7.9 million of Section 205(g) funds will be used by states for eligible permitting and enforcement activities in fiscal year 1984.

Question: The suggestion that funds can be diverted from Section 205(g) to 106 activities implies that you believe there is more funding than needed available for management of the construction grant program under Section 205(g). Why do you believe less funding is needed for management?

Answer: The Agency has encouraged delegated States to maintain approximately three years of obligated, but unexpended funds to ensure adequate funding to manage ongoing construction projects to completion. For fiscal year 1984 a total of 11 States expect to have more than three years of available Section 205(g) funds which may be used for eligible priority needs other than construction grants management. Excess funds in these 11 States total approximately $25 million. In addition to the funds available in these States, we estimate there are an additional $182 million of obligated but unexpended carryover Section 205(g) funds in other delegated States, which States could choose to use for other eligible non-construction grants management activities.

Question: How would you cut back on 205(g) activities?

Answer: In the 11 States with more than three years of available Section 205(g) funds, we do not believe there would be any impact on construction grants management activities.

CWA-SECTION 205(j) FUNDING

Question: Have the fiscal year 83 205(j) funds been allocated? If so, when and to whom? Please list the fiscal year 1982 recipients of funding under Section 205(j).

Answer: The 205(j) funds are not allocated as other State grants. Under Section 205(j), States reserve the portion of their construction grants allotment they want to use for 205(j) activities within statutory limits. States are now in the process of making their decisions for fiscal year 1983 funding. Below is a listing of fiscal year 1982 205(j) recipients.

FY 1982 Section 205(j) Funding

REGION/STATE	STATE FORMALLY RESERVED	AMOUNT RESERVED	MAXIMUM RESERVE
REGION I			
Connecticut	YES	$262,000	$262,000
Maine	YES	$177,021	$177,021
Massachusetts	YES	$698,000	$698,000
New Hampshire	YES	$208,086	$208,086
Rhode Island	YES	$124,000	$124,000
Vermont	YES	$118,000	$118,000
REGION II			
New Jersey	APR 83	$834,224	$834,224
New York	YES	$2,499,223	$2,499,223
Puerto Rico	YES	$277,100	$277,100
Virgin Islands	MAR 83	$100,000	$100,000
REGION III			
Delaware	YES	$118,101	$118,101
District of Columbia	YES	$117,999	$118,101
Maryland	YES	$656,066	$656,066
Pennsylvania	YES	$1,030,181	$1,030,181
Virginia	YES	$462,972	$462,972
West Virginia	YES	$422,855	$422,855
REGION IV			
Alabama	YES	$273,000	$303,315
Florida	YES	$906,162	$906,162
Georgia	YES	$458,638	$458,638
Kentucky	YES	$345,000	$345,253
Mississippi	YES	$228,156	$228,156
North Carolina	YES	$468,816	$468,816
South Carolina	YES	$277,903	$277,903
Tennessee	YES	$365,755	$365,755
Region V			
Illinois	YES	$736,105	$1,226,842
Indiana	2ndQ	$653,742	$653,742
Michigan	YES	$975,620	$975,620
Minnesota	2ndQ	$441,464	$441,464
Ohio	YES	$1,405,500	$1,527,092
Wisconsin	YES	$460,649	$460,649
Region VI			
Arkansas	YES	$177,453	$177,453
Louisiana	YES	$298,190	$298,190
New Mexico	YES	$118,101	$118,101
Oklahoma	YES	$219,151	$219,151
Texas	YES	$1,030,588	$1,030,588

REGION VII			
Iowa	YES	$305,950	$305,950
Kansas	YES	$207,917	$207,917
Missouri	YES	$589,459	$589,459
Nebraska	YES	$130,030	$130,030
REGION VIII			
Colorado	YES	$216,995	$216,995
Montana	YES	$118,101	$118,101
North Dakota	YES	$118,101	$118,101
South Dakota	YES	$118,101	$118,101
Utah	YES	$118,101	$118,101
Wyoming	YES	$118,101	$118,101
REGION IX			
Arizona	YES	$183,225	$183,225
California	YES	$1,878,000	$1,878,000
Guam	YES	$100,000	$100,000
Hawaii	YES	$187,248	$187,248
Nevada	YES	$118,101	$118,101
American Samoa	YES	$100,000	$100,000
Trust Territory	YES	$100,000	$100,000
Northern Marianas	YES	$100,000	$100,000
REGION X			
Alaska	YES	$100,000	$118,101
Idaho	YES	$118,101	$118,101
Oregon	YES	$100,000	$306,429
Washington	YES	$417,777	$417,777

CWA - STATE GRANT DIRECTORS

Question: For fiscal year 1983, Congress increased funding over the request for State grants programs. It also funded Sections 205(g) and 205(j). States are, I understand, currently submitting their work programs on how to spend their funds. Apparently, some regional offices are pressuring States to combine and rearrange funding in order to reduce dependance on 106 funding. Have there been any formal or informal directives to the regions to proceed in this manner?

Answer: No. Fiscal year 1983 guidance on use of 205(j) funds has encouraged States to coordinate their 106 and 205(j) funding. However, the purpose of this coordination is not to reduce dependence on 106 funding, but to focus all sources of funding on the highest priority pollution problems in the most appropriate manner.

CONSTRUCTION GRANTS NEEDS SURVEY

Question: What does the 1982 Needs Survey indicate future needs to be and what is the estimated Federal share of the cost of meeting those needs?

Answer: Based on the 1982 Needs Survey, the future needs for Categories I through V were reported as follows:

Category		Backlog Need ($ Billion)	Year 2000 ($ Billion)
I	Secondary Treatment	20.14	31.13
IIA	Advanced Secondary Treatment	3.25	4.87
IIB	Advanced Wastewater Treatment	0.53	0.87
IIIA	Infiltration/Inflow Correction	2.56	2.56
IIIB	Major Sewer System Rehabilitation	4.69	4.69
IVA	New Collectors & Appurtenances	16.77	20.66
IVB	New Interceptors & Appurtenances	8.93	17.83
V	Correction of Combined Sewer Overflows	35.74	35.74
	Total	$92.61	$118.35

As reported in the 1982 Needs Survey, the Federal share (Federal Funding Potential) is $37.3 billion. The estimate of Federal funding potential was based on the eligibility and the reserve capacity requirements as specified in the 1981 Construction Grant Amendments.

CONSTRUCTION GRANTS REGULATIONS

Question: A number of cities, especially smaller ones, have complained about the constant changes in requirements and regulations. Apparently, if a city must wait several years before moving high enough up the priority list to be funded, then the requirements are likely to have changed.

Is EPA making any effort to assist small cities in such situations?

Answer: EPA has recently revised the construction grants regulation in response to the President's mandate to reduce the burden of government regulations and to the Municipal Wastewater Treatment Construction Amendments of 1981. To minimize the impact of changes in requirements, the preamble to our proposed regulation makes it effective for all grants awarded on or after the date of publication in the Federal Register. Facilities plans and designs initiated under the previous regulation continue to be subject to those requirements. Unless required by the 1981 amendments, no revisions to the facilities plan or design will be required. Work done under the previous regulation will be accepted for grant awards under the new one. In addition, the Agency has prepared a guidance document, Construction Grants, written specifically to help small communities understand the program requirements.

CONSTRUCTION GRANTS FEDERAL SHARE

Question: At the end of fiscal year 1984, the federal share is scheduled to fall to 55 percent.

Do you anticipate many changes in projects"that are not awarded during fiscal year 1984 or have most of the projects to be funded in later years anticipated the changed categories, reimbursement amounts, and reserve capacity?

Answer: We expect that most of the communities receiving Federal grants after fiscal year 1984 will have anticipated the changes in eligible categories, reimbursement amounts, and reserve capacity and will have made arrangements for alternate financing where necessary to account for reductions in the Federal share.

We do not believe that most of these projects will be significantly different than those currently funded in terms of scope and technical design, since many of these projects have already completed planning and are in design. For small communities that have anticipated a significant amount of financial assistance through EPA, Farmers Home Administration and the State and that will now receive a limited share, there may be some rescoping of the project to lower-cost alternatives e.g., facultative ponds and trickling filters. We do not currently know how many of these communities may be affected.

NATIONAL RURAL WATER ASSOCIATION

Question: You propose to discontinue funding for the National Rural Water Association (NWRA) in fiscal year 1984. Why?

Answer: The Agency feels that the National Rural Water Association has demonstrated the effectiveness of providing grassroots training and technical assistance to small rural water systems. With the funds the Agency has provided to the National Association, they were able to develop and establish programs which enabled the small rural systems to work towards greater compliance with the Safe Drinking Water Act. The Agency now feels that the State associations should move towards self-sufficiency through the use of dues and training fees. In addition, the Farmers Home Administration has contracted with the NRWA to provide technical assistance to small rural water systems through the operation of a circuit rider technical assistance program. The program operates currently in 26 of the 33 States covered by the EPA funded training and technical assistance program. The current contract is for fiscal year 1983.

Question: How much has been obligated to the National Rural Water Association during each of the last five years?

Answer: The following are the amounts obligated to the National Rural Water Association:

1982	$1,822,500
1981	1,530,300
1980	400,000
1979	2,521,993
1978	452,300

Senator Huddleston—Continued

ACID RAIN

Question: What is known about the effectiveness of liming acidified waters as a means for mitigating the effects of acid deposition?

Answer: There is substantial evidence showing that the effects of low pH (higher acidity) can be ameliorated by adding lime to lakes and streams. But the effectiveness of liming a specific waterbody is subject to many factors. Accessibility, in-flow/out-flow patterns, sediment traits, aquatic life, and liming techniques are typical determinations that would have to be made on a case-by-case basis. This procedure must be repeated at intervals depending on the residence time of the lime in the water. In addition, there is considerable scientific debate as to the effectiveness of liming lakes without conducting sufficient preliminary evaluations and periodic monitoring. Indeed, it is likely that without the appropriate case-by-case determinations there could be detrimental ecological effects from liming.

Question: To what extent is liming being practiced?

Answer: Liming is in use in several countries and has been known as a workable technique for some years. Canada, Norway and Sweden represent countries which have used this technique extensively. In the United States, New York State and others have used this technique as a means of mitigating the effects of acid deposition.

Question: What are the costs of liming a lake?

Answer: The estimated cost of liming a lake range from $30/acre/year for accessible lakes to $296/acre/year for remote lakes (limed from the air).

Question: What would it cost to implement a liming program in the northeastern United States?

Answer: The cost estimates for liming the lakes of the Northeast are difficult to estimate since EPA has not conducted research that would answer this question directly. However, in Sweden approximately 1000 lakes were being limed with a budget of $5 million in fiscal year 1982 according to the EPRI study "Feasibility Study to Utilize Liming as a Technique to Mitigate Surface Water Acidification" (pages 2 - 4). Additionally, the Impact Assessment Report of the US-Canada Memorandum of Intent Working Group I (page 9-6) found that costs of around $10,000 per lake would be incurred just in making the technical evaluations in prescribing and monitoring treatments. Such estimating factors lead to the conclusion that even a limited scale liming program would cost in the tens of millions for the northeastern United States.

SUPERFUND SITE RESPONSE ACTION

Question: At how many sites do you currently have response actions underway? Please list.

Answer: There are 27 removal actions currently underway or have procurement requests pending of which 13 are at priority sites. These sites are:

Tinkham Site, NH
Baird & McGuire, MA
Bridgeport, NJ
Lipari Landfill, NJ
GEMS Landfill, NJ
Westline, PA
Leetown Pesticide, WV
A&F Greenup, IL
Envirochem, IN
Chem-Dyne, OH
Liquid Disposal, MI
Old Inger, LA
Western Processing, WA

Remedial response actions are currently underway at the following 73 sites:

Region I	Woburn, MA
	Sylvester (Nashua), NH
	Winthrop Landfill, ME
	Western Sand & Gravel (Burrillville), RI
	Keefe Environmental, NH
	Davis Liquid Chemical, RI
	Picillo, MA
	Resolve, MA
	Nyanza, MA
	Ottati and Goss, NH
Region II	Bridgeport Rental, NJ
	Burnt Fly Bog, NJ
	D'Imperio, NJ
	Friedman, NJ
	Goose Farm, NJ
	Kin Buc, NJ
	Lipari Landfill, NJ
	Lone Pine Landfill, NJ
	Pijak Farm, NJ
	Prices Landfill, NJ
	Spence Farm, NJ
	Love Canal, NY
	Olean Oil Field, NY
	PAS Oswego, NY
	Syncon Resins, NJ
	Krysowaty, NJ
Region III	Lehigh Electric, PA
	Bruin Lagoon, PA
	McAdoo, PA
	Matthews Electric, VA
	Tybouts, DE
	Drake, PA

Region IV	Biscayne Aquifer, FL
	Miami Drum, FL
	NW 58th Street Landfill, FL
	Varsol, FL
	Sapp Battery, FL
	Whitehouse, FL
	Valley of the Drums, KY
	Bluff Road, SC
	N. Hollywood, TN
	Triana, AL
Region V	Outboard Marine Corp, IL
	Seymour Recycling, IN
	Berlin & Farro, MI
	Gratiot County, MI
	Reilly Tar, MN
	Chem-Dyne, OH
	Fields Brook, OH
	Enviro-Chem, IN
Region VI	Allen Transformer, AR
	Old Inger Oil, LA
	Tar Creek, OK
	Crystal Chemical, TX
	Harris, TX
	Bio-Ecology, TX
	French Limited, TX
	Highlands Acid, TX
	Motco, TX
	Sykes Disposal, TX
Region VII	Aidex, IA
	Arkansas City, KS
	Minker, MO
	Ellisville Sites, MO
	Times Beach, MO
Region VIII	Denver Radium, CO
	Arsenic Trioxide, ND
	Woodbury Chemical, CO
	Central City-Clear Creek, CO
Region IX	Stringfellow, CA
	Trust Territories
	PCB Waste, Ordot Landfill, Tapatimu Farm, PCB Warehouse
Region X	Colbert Landfill, WA
	Commencement Bay/Nearshore, WA
	Commencement Bay/South Tacoma, WA

Question: How many sites do you expect to cover in fiscal year 1984?

Answer: In fiscal year 1984, we expect to begin remedial response work at 55 additional sites.

SUPERFUND SITE CLEANUP

Question: It has been suggested that only 175 or so sites will be cleaned up by the Superfund although there are currently 419 on the list.

Is this a correct assessment?

Answer: EPA continues to estimate that there will be sufficient resources to permit Fund-financed remedial actions at approximately 170 sites. Additionally, the Fund will support enforcement efforts which would result in remedial actions up to another 170 sites. Potentially, the number of sites where remedial action is taken could increase as a result of successful utilization of resources.

Question: How will the 175 or so be determined?

Answer: The sites selected for remedial action will come from the National Priority List (NPL). Every effort will be made to deal with the most serious threats first. However, a decision to go ahead with work at a site is also dependent upon State interest and preparedness to participate, on the potential for convincing the responsible party to undertake the job, and on considerations related to enforcement actions contemplated or underway.

Question: What alternatives are there for those sites not funded?

Answer: Sites which are not funded may be dealt with through enforcement actions. The Agency currently estimates that Federal enforcement efforts may result in remedial action at up to 170 additional sites. Finally, the States can also undertake their own response or enforcement efforts. States are currently pursuing enforcement efforts at 77 of the sites on the NPL.

STATE ROLE IN MANAGING RESPONSE ACTIONS

Question: In your budget summary, you indicate that EPA will continue its efforts to increase the role of States in managing response actions.

How will this be done?

Answer: States currently have the lead for site work at projects involving 60 percent of remedial funds so far obligated. This is substantially above the 30 percent to 50 percent that had been expected. The Agency is continuing to encourage States to assume responsibility for remedial response. We currently provide safety and technical training opportunities for State and local employees. We are also developing technical guidance for remedial and removal response that will be available to States as well as Federal employees.

Question: What assistance will be available to States in order to help them undertake increased responsibilities in this area?

Answer: In fiscal year 1983 Congress earmarked $10 million of the Superfund appropriation for funding State site assessment and inspection activities. This effort is now being implemented. In addition, in October 1983, EPA will sponsor a series of four workshops across the country to which State Hazardous Waste Directors and State Finance Officers are being invited. The workshops are being coordinated through a grant to the Association of State and Territorial Solid Waste Management Officials (ASTSWMO) that will fund the travel and per diem of the attending State officials. Included in the agenda for these workshops will be contracting seminars for the benefit of States that have not yet developed these capabilities and innovative funding techniques that can be used by the States in raising their cost-share monies. The innovative funding techniques have been developed by EPA and are being incorporated into a special handbook for State use.

SUPERFUND ENFORCEMENT

Question: Your budget summary notes that Superfund enforcement will expand its efforts to compel privately-financed cleanup at hazardous waste sites and to recover the costs of Federal response. How do you intend to accomplish this?

Answer: The Agency plans a balanced enforcement program using the full range of authorities under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) - both administrative orders and litigation -- in addition to negotiations. Litigation and administrative enforcement actions, fairly and consistently applied, will provide incentives for responsible parties to reach settlements with the Agency for privately-financed response actions at sites.

In fiscal year 1984, the Agency will increase the number of sites at which responsible parties are identified and notified of the Agency's intention to take fund-financed response actions. Through negotiations, parties will be given the opportunity to take responsibility for cleanup activities under the Agency's supervision, thus conserving Trust Fund money for other sites where there are no financially viable responsible parties. Negotiations will not impede timely cleanup of sites using Trust Fund money. The Agency will set strict deadlines for negotiations. Should they fail to achieve settlements for privately-financed cleanup, fund-financed response action will occur and cost recovery actions will be initiated.

Cost recovery activity will also increase in fiscal year 1984. Development and issuance of demand letters, negotiations with parties for payment, and development of technical support for civil litigation, if necessary, will be undertaken. The Agency anticipates development of more cost recovery cases in fiscal year 1984 compared to fiscal year 1983.

Question: What was your record in this area in fiscal year 1982?

Answer: In fiscal year 1982, the Agency achieved 21 settlement agreements for privately financed cleanup. The estimated value of cleanup activities is $45.5 million. $2.3 million in Trust Fund money was recovered.

Question: What is your record in this area to date in fiscal year 1983?

Answer: Through the first half year of 1983, the Agency has achieved seven settlement agreements for privately-financed cleanup. The estimated value of these private party response actions including third party compensation is $63.0 million. Recovered Trust Fund money totals $0.6 million.

Question: How many legal actions do you currently have underway?

Answer: The Agency has referred to the Department of Justice 41 cases under CERCLA §106, CERCLA §107, or in combination. Under the emerging CERCLA §106 Administrative Order program, the Agency has issued unilateral orders to parties at eight sites. Approximately 30 orders involving other sites are under development.

QUESTIONS SUBMITTED BY SENATOR LEAHY

AIR ENFORCEMENT

Question: On page 97 of the transcript, Ms. Bennett states, "given the tremendous expansion that has occurred in recent years and the number of sources that are inventoried, clearly we would not have resources to enforce against all of them." Why have you not requested the funds necessary to enforce against all the sites?

Answer: We have not requested the funds necessary to enforce against all stationary source violators because to do so would be to ignore the very substantial role that States play in the enforcement process. EPA views its role as both supporting State compliance programs and conducting a rigorous Federal enforcement program to supplement State actions. There is no reason to budget for duplicative EPA actions in the large majority of cases where States can and will take effective action.

Question: What additional resources would be necessary in 1984 so that all sources could be "enforced against?"

Answer: In view of the purpose of the Clean Air Act ". . . that the prevention and control of air pollution at its source is the primary responsibility of the States and local governments," we believe that it would be contrary to Congressional intent to disregard the effectiveness of State enforcement programs in preparing EPA budget requests. In addition, duplicative Federal enforcement activities in cases where the States are equipped to handle the problem would provide little environmental benefit at substantial costs. Such Federal activities may, in fact, even disrupt or thwart State enforcement activities. We are continuing to evaluate the division of work between the Federal and State governments in light of our recent experiences with the enforcement problems associated with attainment deadlines.

AIR POLLUTION SOURCES INVENTORY

Question: In her response to a question from Senator Leahy, Ms. Bennett stated that Senator Leahy was incorrect in stating that sources producing between 100 and 250 tons were not part of the enforcement inventory. With regard to enforcement, monitoring, or inventory, does the Agency have any policy differentiating between sources over and under 250 tons? If so, please describe the difference and supply the document establishing this position.

Answer: The confusion regarding sources of between 100 tons and 250 tons (emission potential with controls) apparently comes from the Agency's definition of a "significant violator" (definition follows). Agency policy defines a significant violator as a source with an emissions potential of 250 tons/year. However, it allowed use of actual emissions of 100 tons/year as a reasonable surrogate if available data did not permit easy identifica-ti8n of sources of 250 tons/year potential emissions. EPA

Regional Offices and States generally used the 100 ton actual emissions surrogate in establishing significant violator lists and thus the list in fact contains those violators with at least 100 tons/year of actual emissions of any regulated pollutant. Since this generally corresponds to the definition of a "major source" under the Clean Air Act, EPA is conducting a thorough enforcement program covering the major sources as defined by the Act.

Question: How many enforcement actions have been initiated against sources emitting between 100 and 250 tons?

Answer: This question cannot be answered with readily available data because, as previously discussed, this distinction has not been meaningful in carrying out EPA's enforcement programs.

Definition of Significant Violator

One of the objectives of the Administrator's Accountability System for fiscal year 1982 is that resources be used to address significant air violators and return them to compliance. This is designed to ensure that resources are used in the most environmentally beneficial manner. The purpose of this guidance is to assist Regional Offices and States in determining what the Agency considers to be a significant violator.

In determining whether a violation is significant, the nature of the pollutant should be considered, as well as the magnitude and duration of the violation and the population exposed. While no rigid formula need be followed, the following considerations should be kept in mind.

1. A violation of a hazardous air pollutant standard resulting in emissions above the standard should normally be considered significant unless the magnitude and duration of the violation are minimal and the violation nonrecurring.

2. A source in violation of a State Implementation Plan should be considered significant if the source is of sufficient size and is located so as to impact a nonattainment area. Sources above 250 tons per year emission potential (as defined in the Alabama Power case) should be considered significant violators unless the magnitude and duration of the violation are minimal and the violation generally nonrecurring. (To the extent that available data do not permit easy identification of sources in excess of 250 tons/year potential, sources with more than 100 tons/year actual emissions can be used as a reasonable surrogate). Other sources in nonattainment areas should also be included if the amount of excess emissions is considered jointly by the Regional Office and State as having an important impact on the continued nonattainment of the area.

3. Sources in attainment areas and not impacting nonattainment areas would not normally be considered significant because of the lack of direct health impact. While States, appropriately, should take action to resolve such violations, EPA will not give them high priority consideration.

4. Sources in violation of new source requirements, including NSPS and PSD/NSR permitting requirements, should also be considered to be significant violators unless the magnitude and duration of the violation are minimal.

As provided for in the Agency's new accountability system, Regional Offices should meet with each of their States to jointly prepare an inventory of known significant violators. States should be encouraged to take the lead with respect to as much of the universe as possible. Wherever possible, EPA should use its resources to supplement those of the State rather than to take the lead on cases itself. This technical assistance can be either in the form of direct case assistance (if requested) or through sponsoring of technical workshops and other program building/supporting activities. EPA should assume the lead only where a State cannot or will not take the lead, despite whatever assistance EPA can provide.

AIR ENFORCEMENT - SIGNIFICANT VIOLATORS NON-COMPLIANCE

Question: According to Page 18 of the Administrator's Management Accountability System, as of the first quarter of fiscal year 1983, two-thirds of the inventory of significant violators have been out of compliance for more than two quarters. What is being done to correct this situation?

Answer: In the Administrator's Management Accountability System, a source is shown in this status on the significant violator list until it either comes into compliance or is formally placed on an enforceable compliance schedule. This can take a significant period of time to accomplish even with due diligence by the lead enforcement Agency, whether EPA or the State. For instance, if EPA litigation is required, the source will probably remain in this category for a year or more. A better measure of the effectiveness of the program is: of the 483 sources on the original list, only 206 are still listed and of these, 73 have EPA civil actions pending against them. EPA or State actions, administrative or civil, were in some stage of preparation against the vast majority of the remainder of the sources on the list. Thus, recognizing that the enforcement process does take time to implement, we believe the program is working well.

Question: Is a lack of funding or manpower causing this situation?

Answer: No, the situation is primarily a reflection of the nature of the enforcement process.

Question: What level of resources would be necessary to cut the compliance lag to one month?

Answer: The nature of the actions required to bring an EPA enforcement action (documentation of violation, issuance of a Notice of Violation, documentation of a continuing violation after 30 days, issuance of an order or initiation of a judicial referral) effectively preclude cutting the compliance lag to one month, regardless of resource levels.

AIR ENFORCEMENT - INSPECTION RESOURCES

Question: According to the same document, only 48% of the largest polluting sources due for inspection were inspected and 68% of the smaller sources were actually inspected. What level of resources would be necessary to inspect all those due for inspection?

Answer: The data cited in the Administrator's Management Accountability System were the result of the first attempt by EPA to determine systematically how States were conforming to EPA's inspection targets. After the first report, which appeared to show that only 48 percent of major sources had been inspected by States within the last year, EPA conducted a further examination of this issue. Part of the reason for the seemingly low level of inspections had to do with a data entr- problem in the computerized compliance data system. This data entry problem has been brought to the attention of the EPA staff involved and at least partially resolved. Substantially higher rates (67 percent and 74 percent for larger and smaller sources, respectively) were reported for the second quarter. We are continuing to work to resolve remaining data problems. If, after resolution of the remaining data problems, the numbers of inspections still do not conform to EPA's targets, we will work with the States to meet the targets. We are also presently evaluating whether an increase in EPA resources would be required to supplement State efforts, but cannot yet say whether or what additional resources would be required.

Question: In each case, what does "due" for inspection mean?

Answer: EPA guidance requires all major SIP sources and delegated NSPS sources and NESHAPs sources to be inspected by States annually and certain smaller SIP sources to be inspected biannually.

WATER PERMITS BACKLOG

Question: During Mr. Kinghorn's statement, he stated that considerable success had already occurred in reducing the backlog in water permits. However, a briefing paper prepared by the water program for the Administrator stated that 119 additional workyears are needed. It noted that, in 1984, only 500 major permits of the 1,200 outstanding permits would be processed. Why do you believe acceptable progress is being made, when the program offices believe much more needs to be done?

Answer: The statements that considerable success has been made in reducing permit backlog and that much more must be done are not conflicting statements. The former statement was discussing progress the Agency is now making toward reducing the backlog. With effluent guidelines being promulgated and with issuance of a second round permit policy, the Agency has established a foundation for issuing permits. In fiscal year 1984, issuance of 500 major NPDES permits will start to reduce the permit backlog. Since only 200 major NPDES permits are scheduled to expire in fiscal year 1984, there will be a net reduction in permit backlog of some 300 major permits. Although the reduction represents a decrease of only 20 percent (300 out of a total of 1,400), it is a reduction that did not occur last year.

ATTRITION LEVELS AND FUNDING

Question: During her testimony, Ms. Gordon states that "EPA experienced the largest percentage of attrition in its administrative categories..." How did this survey define "administrative"? If "administrative" included management personnel, please provide the title of each person included in this group.

Answer: EPA's analysis of attrition considered its ten largest occupations, from environmental engineers to administrative technicians. The occupation titled Administrative Types encompasses those employees classified in the Office of Personnel Management's Miscellaneous Administrative and Program Series, GS/GM - 301. This series covers positions which involve mixes of work that cannot be identified with an established series and of which there are too few to recognize as separate lines of work. Jobs may range from grade level one to executive levels in this series. Because this is a "miscellaneous" series, there are almost as many job titles as there are employees. Examples of titles are as follows: Student Assistant, Administrator, International Activities Specialist, Security Management Officer, Legal Intern, Docket Clerk, Compliance Data Clerk, Space Management Specialist, Contract Liaison Specialist, and Office Services Specialist.

Question: In her testimony, Ms. Gordon also stated that no RIFs would be necessary. What level of attrition does this response assume?

Answer: EPA does not expect to involuntarily separate employees because of a RIF during fiscal year 1983 for budgetary reasons. The Agency's fiscal year 1983 budget will support its current workforce without requiring further attrition this fiscal year.

Question: Does this response assume a supplemental request next spring?

Answer: To meet the Agency's fiscal year 1984 permanent workyear request, net attrition would need to occur at the rate of approximately .5% per month between now and September 30, 1984. We have not assumed a supplemental request.

Question: If the new Administrator decides that further attrition beyond that which has occurred as of May 30 is unacceptable, what level of existing funding would be necessary?

Answer: If the Agency were to assume no net attrition between May 30, 1983 and September 30, 1984, it would require an additional 450 permanent workyears and the associated personnel compensation and benefits and expense dollars. This workyear number is the difference between the fiscal year 1984 permanent workyear request and our estimate of on-board permanent employees as of May 30.

ENVIRONMENTAL MANAGEMENT REPORTS

Question: In his response to Senator Garn concerning environmental results, Comptroller Kinghorn stated that Environmental Management Reports (EMRs) being prepared by the Regions will be a key indicator of progress. In their comments in their 1984 workload analysis, several Regions stated that, without additional funds, they cannot be sure EMR data is reliable.

Have you met with the Regional staffs and determined whether their concerns about lack of resources are valid?

When you collate the EMRs and forward this information to Congress, will it include the views of some Regions that the data is not reliable?

Answer: We have not yet met with Regional staff. The Environmental Management Reports are not due to us in final form until late May, so we are awaiting those reports before pursuing any issues with the Regions.

We will evaluate the EMR process over the summer. In initiating the EMRs, we hoped to get information on existing data gaps as well as a good baseline of environmental status and trends. We will ask both Regional and Headquarters staff about the reliability of EMR data, the information gaps that exist, and any problems they had in analyzing the environmental data.

Another major issue we will be discussing with Regional and Headquarters staff, as part of our evaluation, is the resource issue. We want to know what resources were required to develop the pilot EMRs as well as the estimated resource needs for a second round. We also want to know where the current collection of data appears to be inadequate or inappropriate, and where resource changes for data collection must be made.

Senator Leahy—Continued

We will provide the Congress with the results of our EMR evaluation and any concerns the Regional staff raise about the reliability of EMR data. In addition, the "National Environmental Atlas" or any environmental status and trends documents based on the Regional reports will contain any appropriate qualifications regarding the quality of the data used in the report.

REVIEW OF OVER-REPORTING ACTIVITY

Question: According to a survey by the Inspector General reported in The Washington Post on April 23, the Office of Federal Activities seriously over-estimated its level of activities in its reports to the Administrator's Management Accountability System. Has the Agency undertaken its own review to determine whether similar over-reporting existed with other programs? If so, please provide it. If not, please explain why.

Answer: In February of this year, EPA conducted a review to improve the reporting of Regional performance under the Management Accountability System. That review addressed several problems, including the need to improve the accuracy of reported information. A copy of the review and a memo identifying the procedural changes that resulted from the review are attached. The Office of Management Systems and Evaluation (OMSE) has developed procedures that provide five levels of quality control on information reported in the Accountability System.

1. OFFICE DIRECTOR AND ASSISTANT ADMINISTRATOR VERIFICATION - Quarterly reports of a program's performance are signed by senior managers, who thereby attest to the accuracy of the information.

2. CONFIRMATION BY REGIONAL ADMINISTRATORS - As outlined in the attached report, the Regional Administrators review and confirm their performance as reported by the EPA Headquarters program managers.

3. AGENCYWIDE REVIEW OF MANAGEMENT COMMITMENTS AND PERFORMANCE REPORTS - The goals, objectives and commitments and the quarterly performance reports are widely distributed within EPA. In this way, both the expectations and the actual performance are made available for scrutiny outside the individual program areas.

4. OMSE STAFF - The analysts who prepare the quarterly reports are specialists in their respective program areas. They are involved in Program Office activities in an ongoing fashion, often as internal consultants to their programs. They routinely receive information and examples of program outputs in addition to the quarterly reports.

Senator Leahy—Continued

5. SELECTED QUALITY/MANAGEMENT REVIEWS - Where there are specific problems with reported information, OMSE staff conducts a diagnostic investigation. These investigations may address either apparent problems in performance and/or questions concerning the accuracy or quality of information received. In addition, each quarter OMSE randomly selects actual products to be submitted as evidence of completed commitments. An excerpt from the second quarter reporting instructions for the Office of Administration is also attached as an example of this practice.

Excerpt from:

MANAGEMENT ACCOUNTABILITY SYSTEM

SECOND QUARTER FY 1983 REPORTING INSTRUCTIONS

Office Of Administration

Please place the appropriate date, number or other requested information in the spaces provided. We have allowed additional space to accommodate remarks or additional explanation. Status on OA's regulatory development commitments will be reported directly by the Office of Standards and Regulations. Please provide this information to OMSE, Room 1019 West Tower, not later than 2:00 p.m. (EST) Friday, April 15.

Ad/H-7 By 3/31/83 OA is to develop and implement formal procedures for identifying, recording, billing, collecting and reporting cost recoveries under the Superfund appropriation. This will include the development of a report which identifies the amount of costs incurred, billed and collected by Superfund site.

(1) An initial report to the Administrator was

provided to __________ on ______________.

(Please provide a copy of this report along

with your second quarter MAS submission.)

(2) The report is not yet complete. We expect to

provide the report to ____________ on ________.

MEMORANDUM FROM LEWIS S. W. CRAMPTON, DIRECTOR, OFFICE OF MANAGEMENT SYSTEMS AND EVALUATION, ENVIRONMENTAL PROTECTION AGENCY

MAR 7 1983

MEMORANDUM

SUBJECT: Procedural Changes in Reporting Regional Information Under the Management Accountability System (MAS)

FROM: Lewis S. W. Crampton
Director, Office of Management
Systems and Evaluation

TO: Assistant Administrators
Regional Administrators

Last month the Management Systems Division (MSD) investigated problems surrounding the establishment of regional program commitments and the quarterly reporting of regional performance toward those commitments. MSD conducted a management review to determine if changes in MAS procedures are warranted. This memo announces the results of that management review and transmits the final report of MSD's findings and conclusions.

The management review addressed the central question of whether regional performance should be reported to OMSE by the regional offices or by the program offices in the Headquarters, based upon information already available in the program data systems. MSD also looked at the need to ensure the RA's explicit concurrence on performance targets that are negotiated between the Regional Program Divisions and the national program offices.

Based on MSD's findings and conclusions from forty-three interviews of HQ and Regional managers, I have approved procedural changes that will do a better job of keeping both the AAs and the RAs better informed on how regional program performance is reflected in the MAS. Briefly, the new procedures are as follows:

- RAs will approve their performance targets by submitting them both to OMSE and to the appropriate AAs as regional management commitments.
- AAs will confirm their agreement with RAs' commitments when submitting national program commitments to OMSE.
- AAs report to OMSE on the Regions' quarterly performance based on ongoing reporting by Regions through program channels. At the same time, AAs provide information copies of their report to the RAs. RAs notify OMSE of errors or other problems.

The reporting instructions for the second quarter, reflecting these changes, will be transmitted to you within the next two weeks.

cc: Associate Regional Administrators
for Policy and Management
Regional Management Division Directors

Reporting Regional Information
under the Administrator's
Management Accountability System (MAS)

Executive Summary

OMSE has received complaints from several Regions that Headquarters reporting of regional performance inhibits the Regional Administrator's ability to monitor his/her own Region's performance on commitments in the MAS. In addition, because final performance targets are also being reported to OMSE by the AAs, without the RAs' explicit concurrence, the RAs do not always know what is expected of them. OMSE staff surveyed 43 Regional and Headquarters managers to determine the extent of these problems. Based on the survey findings and subsequent analysis OMSE recommends procedural changes with the following results:

- RAs will approve their performance targets by submitting them both to OMSE and to the appropriate AAs as regional management commitments.

- AAs will confirm their agreement with RAs' commitments when submitting national program commitments to OMSE.

- AAs report to OMSE on the Regions' quarterly performance based on ongoing reporting by Regions through program channels. AAs provide RAs with information copies of their quarterly MAS report at the same time they report to OMSE. RAs notify OMSE of errors or other problems.

OMSE MANAGEMENT REVIEW

REPORTING REGIONAL INFORMATION UNDER THE ADMINISTRATOR'S MANAGEMENT ACCOUNTABILITY SYSTEM (MAS)

Problem:

OMSE initiated this management review in response to complaints from several Regions that the trend toward Headquarters reporting of quarterly regional performance inhibits the RA's ability to monitor his/her own Region's performance on commitments in the MAS. While the Regions have access to the program data systems that form the basis of the Headquarters reporting, they apparently lack information on specific data elements, definitions and assumptions that are used in interpreting the Regions' performance. This problem is complicated by the fact that some FY 83 commitments are still not resolved, and, where commitments are in place, many of the RAs have not explicitly agreed to the targets. (These targets were actually set through negotiations between the Regional Program Division Directors and the Headquarters program managers.) The result is that the RAs do not in all cases know their expected performance targets.

Background:

- Since its inception a fundamental operating principle of the MAS has been to avoid burdensome reporting requirements by relying on existing management systems wherever possible.

- During its first year of operation, MAS required the Regions to report directly to OMSE each quarter on most of their program commitments. These reports were submitted by the Regional Management Division staff.

- This year there has been a trend away from regional reporting as the Headquarters program management systems have improved. MAS tracking now forms a subset of most ongoing program reporting.

Approach:

The management review consisted of interviews with 43 Headquarters and Regional senior managers to determine the extent of these problems and to determine their preferences for establishing Regional commitments and reporting regional performance. Based on the findings from these interviews OMSE staff developed and evaluated alternative reporting procedures. This report concludes with recommended changes to existing procedures. The interview guide, list of interviewees and summaries of the survey results are attached to this report.

Findings:

The findings and conclusions of the survey are as follows:

- Most Regional Management Division Directors consider the problem to be serious. They feel that current procedures do not keep the RAs well informed on their commitments or their performance.
- RAs want to know ahead of time what is being reported to the Administrator through the MAS, and they cannot under the existing procedures.
- Most Regional Program Division Directors do not see the problem as serious. They believe they keep the RAs adequately informed on the status of their programs.
- Most RAs tend to rely primarily on the Mangement Division to keep track of the Regions' performance on MAS commitments.
- There are generally strong lines of communication between the Regional Program Division Directors and their Headquarters counterparts.
- There are generally weak lines of communication between the Regional Program Divisions and the Regional Management Division.
- Much of the ongoing reporting from the Regional Program Divisions to Headquarters (of which MAS is a subset) often takes place at the working level as routine input into data systems with little management oversight and/or quality control.
- Regional commitments are usually set by the Program Division Directors and the Headquarter program managers; the RAs and Management Division Directors are minimally involved in setting the targets.
- Regional Program Division Directors and Headquarters program managers are afraid that reporting MAS performance separately will erode existing program management systems. They prefer to use MAS reporting as an extra incentive for careful and timely reporting under these systems.
- Regional Management Division Directors strongly favor direct regional reporting to OMSE of both final MAS commitments and quarterly performance, even if this increases the total amount of regional reporting. Several stated that they could not otherwise keep the RA informed.
- Regional Program Division Directors strongly favor Headquarters reporting of the Regions' quarterly performance.
- Regional Program Division Directors expressed a slight perference for Headquarters submitting of regional commitments.

- Headquarters program office interviewees expressed a near unanimous preference for Headquarter program reporting both of regional commitments and quarterly performance.

Negotiating and Submitting Regional Commitments:

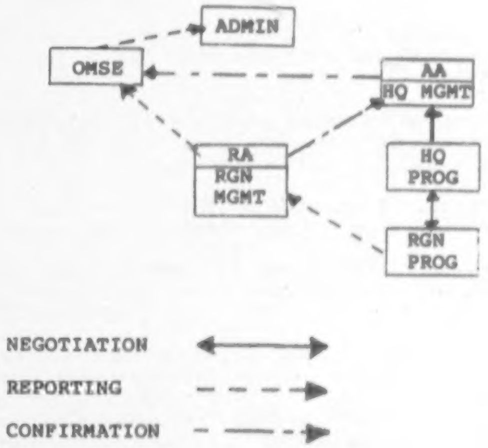
The survey revealed general agreement that any mechanism for establishing regional program commitments to OMSE is satisfactory so long as it meets the following two criteria:

1. It should ensure RA validation/sign-off on all regional commitments.

2. It should not impede the negotiation of commitments along program lines.

The process illustrated in the diagram below meets these criteria:

NEGOTIATING AND SUBMITTING REGIONAL COMMITMENTS



Procedure: Negotiations on regional commitments are conducted along program lines. The RA validates his/her commitments both to the appropriate AA and to OMSE. AAs confirm agreement with RAs when submitting their national program commitments to OMSE.

- Both AA and RA have opportunity to reopen negotiations as appropriate.

- This procedure enables AA to confirm the regional commitments and to ensure consistency with national program targets and the Administrator's Guidance.

Quarterly Reporting of Regional Performance:

The survey affirmed the need to ensure that both the RA and Headquarters program management have timely and accurate information on the Regions' quarterly performance. There are several ways to accomplish this. OMSE examined three alternatives for reporting quarterly regional performance. The alternative procedures are evaluated on the basis of their ability to:

1. Provide accurate information in a timely fashion to both Regional and Headquarters management.

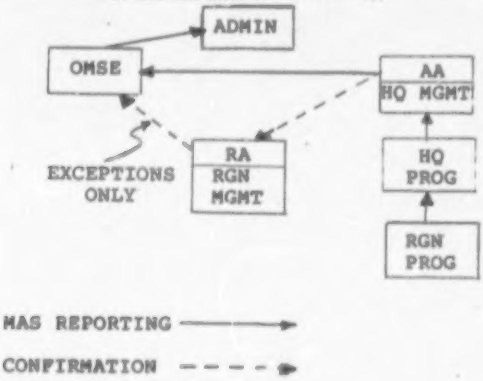
2. Minimize unnecessary additional reporting.

3. Avoid creating disincentives for accurate and timely regional reporting through existing program systems.

The alternatives are presented in the pages that follow.

OPTION 1 - PREFERRED OPTION

HQ REPORTING WITH SUBSEQUENT REGIONAL CONFIRMATION



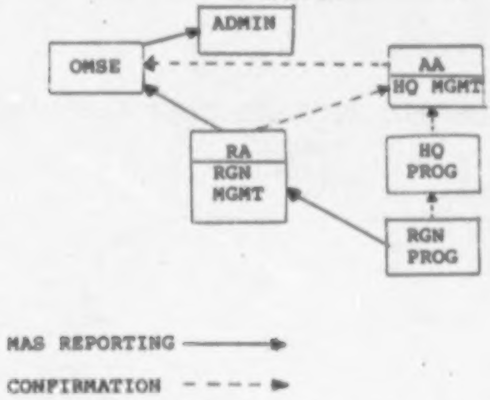
Procedure:

AAs report to OMSE at the end of the quarter based on ongoing reporting by Regions through program channels. AAs provide information copies to RAs at same time. RAs notify OMSE of errors or other problems.

- Avoids unnecessary duplicative reporting.
- RA sees own performance in national context, as characterized through program data systems, and prior to being published and reported to the Administrator.
- Provides incentive for careful use of program data systems.
- Provides consistent reporting assumptions, timing and interpretations.

OPTION 2

REGIONAL REPORTING WITH SUBSEQUENT HQ CONFIRMATION


ADMIN
OMSE
AA
HQ MGMT
RA
RGN
MGMT
HQ
PROG
RGN
PROG
MAS REPORTING
CONFIRMATION

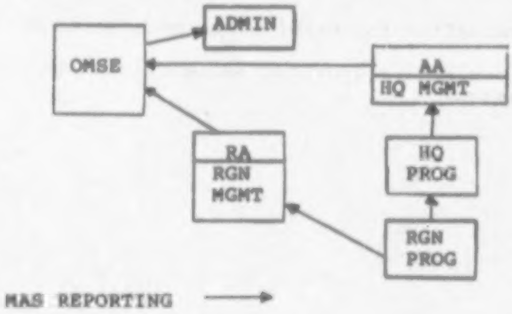
Procedure:

RA reports directly to OMSE at the same time providing information copies to the AAs. AAs notify OMSE of errors or other problems on the basis of information from ongoing program reporting systems.

- Ensures RA has timely information on own performance.
- Results in duplicative reporting at regional program level.
- May create disincentives for accurate and timely regional reporting through program data systems.

OPTION 3

SIMULTANEOUS INDEPENDENT REGIONAL AND HQ REPORTING


ADMIN
OMSE
AA
HQ MGMT
RA
RGN
MGMT
HQ
PROG
RGN
PROG
MAS REPORTING

Procedure:

Both RA and AAs report to OMSE on regional performance. Headquarters reports are based on ongoing reporting by Regions via program data systems.

- Imposes duplicative reporting on Regional Program Divisions.
- Parallel reporting may bypass routine reporting along program channels, thus possibly creating disincentives for more careful regional use of program data systems.
- OMSE becomes involved in resolution of detailed reporting questions on data quality, consistency, interpretation and so on during peak production period.

ATTACHMENTS

1. List of Persons Interviewed
2. Interview Guide
3. Survey Results Summary

OMSE MANAGEMENT REVIEW ON REGIONAL REPORTING

INTERVIEW ASSIGNMENTS

Ron Shafer:

Patricia Meaney, Management Division, Region I
Al Montague, Management Division, Region III
Howard Zeller, Management Division, Region IV
John Arendale, Management Division, Region VII
Gene Ramsey, Management Division, Region VII

Jim McCormick:

Herbert Barrack, Management Division, Region II
Alan Levin, DRA, Region V
John Ploeter, Management Division, Region VI
Charles Murray, Management Division, Region IX
Nora McGee, Management Division, Region X

Cleora Scott:

Bern Steigerwald, HQ OANR
Jack Hidinger, HQ OANR
Ed Reich, HQ OANR
Harley Laing, Air Division, Region I
Conrad Simon, Air and Hazardous Waste, Region II
Ray Cunningham, Air and Waste, Region III
Thomas Devine, Air and Waste, Region IV
David Kee, Air Division, Region V
David Howekamp, Air Division, Region IX
Chuck Finley, Air and Hazardous Waste, Region X

Loretta Marzetti:

Barry Korb, HQ OSWER
Tina Stone, HQ OSW
Tony Montrone, HQ OWPE
Bruce Englebert, HQ OERR
Merrill Homan, Hazardous Waste, Region I
Dave Stringham, Hazardous Waste, Region V
Alan Abramson, Water Division, Region VII
Max Dodson, Water Division, Region VIII
Harry Seraydarian, Hazardous Waste, Region IX
Frank Covington, Water Division, Region IX
Robert Burd, Water Division, Region X

Cynthia Puskar:

Cynthia Dougherty, HQ OW
Rosanne Light, HQ OWE
Mike Quigley, HQ OWPO
Arnold Kuzmack, HQ ODW
Richard Kotelly, Water Division, Region I
William Muszynski, Water Division, Region II
Greene Jones, Water Division, Region III
Paul Traina, Water Division, Region IV

Joe Panetta:

Marylouise Uhlig, HQ OPTS
Gus Conroy, HQ OPTS
Roy Clark, Pesticides and Toxics, Region IV
Norman Dyer, Pesticides and Toxics, Region VI

OMSE MANAGEMENT REVIEW
MAS REPORTING OF REGIONAL INFORMATION

ASB Analyst ______________________________

Person Interviewed______________________________

Date of Interview ______________________________

Introduction: (Please inform the interviewee of the nature of your call and ask for 15-20 minutes of his/her time.)

There have been problems in reporting Regional information to the Management Accountability System (MAS) through the HQ program offices. As you probably know, OMSE relies primarily on the HQ programs' use of existing data systems to compile information on Regional performance. Since this information is often not submitted specifically in the context of the Regions accountability commitments, we found that the RAs are not always well-informed on their Region's progress. We are conducting this management review to find the best way to correct this problem.

1. We want both the HQ program managers and the RA to be directly involved in setting (i.e., agreeing to) his/her MAS targets. Please comment on the following two approaches:

   - The first option is to have the RA submit his commitments directly to OMSE at the conclusion of negotiations with the HQ programs.

   - The second option is to have the RA's formal concurrence on HQ submissions.

2. We also want both HQ and the RA (and the Regional Division Directors) to be directly in the reporting loop for information on Regional performance. There are two ways we could do this. Please comment on these two approaches:

   - The first option is to have the Regional Management Division report under the RA's signature directly to OMSE. In this situation the Region would still be responsible for putting data into program reporting systems (GICS, CDS, PCS, etc) so that HQ program offices could review and confirm the quarterly MAS information

   - The second option is to have the HQ program offices use their existing data systems to report Regional quarterly performance directly to OMSE, with a copy to the Regional Management Division for confirmation.

3. ASB Analyst Note: In this space, please record any unsolicited comments concerning:

   - Abuse of MAS reporting requirements and/or

   - Overall reporting burden (trends, principal "offenders", programs with well balanced systems)

4. (For HQ Program & Regional Mgt. Division Contacts) How are you coming on the review of the Draft Administrator's Guidance?

   - Early comments?

   - Will you be able to meet the February 4 deadline?

SUMMARY OF SURVEY RESULTS

	TOTAL RESPONSES BY		
	HQ Program	Regional Program Division	Regional Management Division
1. After negotiations between HQ and regional program managers are completed, the Regions' program commitments that are tracked in MAS should be provided to OMSE by:			
A. The Regional Administrator	2	6	7
B. The Headquarters Program Office	12	11	1
2. Quarterly reports on the Regions' performance on MAS commitments should be provided to OMSE by:			
A. The Regional Administrator	1	3	8
B. The Headquarters Program Office	12	15	1

REGIONAL REPORTING SURVEY RESULTS

This table summarizes interviewees' expressed preference as to whether the HQ programs (AA) or the Regional Office (RA) should report information on Regional MAS commitments and quarterly performance to OMSE

	Commitments		Quarterly Performance	
	Region	HQ	Region	HQ
Regional Mgmt. Div.	7	1	8	1
Regional Air	4	2	1	5
Regional HW	-	3	1	3
Regional Water	1	5	-	6
Regional Pesticides	1	1	1	1
Headquarters Air	1	2	-	3
Headquarters Water	1	4	-	4
Headquarters OSWER	-	4	1	3
Headquarters OPTS	-	2	-	2
Totals	15	22	12	28
Summary				
Headquarters Program	2	12	1	12
Regional Program	6	11	3	15
Regional Mgmt. Div.	7	1	8	1

Senator Leahy—Continued

SUPERFUND ENFORCEMENT ROLE

Question: Briefing materials prepared by Joseph Cannon for the Administrator on December 18, 1981, described the Superfund "enforcement role" as follows:

"-Ensure responsible party clean-up at sites or spills, as opposed to fund-financed clean-up, wherever possible" and

"-Recover funds from responsible parties whenever possible."

In essence, the Superfund enforcement role is to get someone other than the Federal government to pay for clean-up. Is this not more analogous to debt collection than enforcement?

Answer: In addressing Superfund sites the Agency reviews a wide range of possible response options. Enforcement mechanisms, as well as direct technical remedies, are examined in an effort to select the most appropriate and effective response at a particular site.

Each site must be considered on an individual basis. Various factors such as the number of identified financially viable responsible parties, legal or technical actions already undertaken by responsible parties or the States and the State's preferred approach in addressing the site must be considered before an appropriate selection can be made.

In those instances where fund-financed action is taken, the statue clearly provides the Federal government with the opportunity to recover expended funds. These funds, once recovered, can and will be deposited in the Hazardous Substance Response Trust Fund to support the future financial needs of the program in addressing sites. The precedent for this provision is the Oil Spill Pollution fund, operated by the U.S. Coast Guard, which over the years has successfully recovered funds spent in responding to oil spills. Those recovered funds have been used in direct support of that highly successful program.

RESOURCES NEEDED FOR TOTAL CLEAN-UP

Question: The same document, on page 10, states: "The program defines a completed clean-up as completion, at a given site, of all planned operable units, not as a total environmental clean-up of a site." If Congress determines that "completed clean-up" should mean "total environmental clean-up of a site," how would the FY 1984 request for this program be changed to achieve the activity levels listed on page SF.6 of the 1984 budget?

Answer: The National Contingency Plan states that the selected remedial alternative will be "the lowest cost alternative that is technologically feasible and reliable and which effectively mitigates and minimizes damage to and provides adequate protection of public health, welfare, or the environment." (Section 300.68(j)). In many cases, this will not be total environmental cleanup of a site. In developing the fiscal year 1984 budget request, the Agency used $6 million as the average remedial cost at a site. This figure would have to be revised substantially upward, if it were Congress' desire that each site receive a "total environmental clean-up." The Agency has not calculated what this figure might be.

UNREPORTED HAZARDOUS SPILLS RELEASES

Question: With a memorandum to the Administration dated December 18, 1981, Joseph Cannon enclosed a document entitled "Superfund Program Evaluation and Tracking System" dated December 4, 1981. On page 4 of the December 4 document, it states, "The program believes that a number of hazardous spills releases are not being reported." What is your best estimate of the number of releases that are not being reported?

Answer: At the time the document entitled "Superfund Program Evaluation and Tracking System" was written, the CERCLA requirement for reporting hazardous spills releases was new. Industry was still relatively unfamiliar with the reporting requirement. While EPA has not conducted a formal analysis, the Agency believes that major hazardous spills and releases are now being reported. However, we have no absolute knowledge or verification that this is true.

Question: What activity in the 1984 budget is directly related to ensuring that such releases are being reported?

Answer: Acting EPA Administrator, Lee Verstandig, recently signed a rulemaking package on CERCLA hazardous substance reportable quantities (RQ), designation and notification. With this publication in the Federal Register in May 1983, which restates the notification requirements, it is expected that more releases of hazardous substances will be reported to the National Response Center. The fiscal year 1984 budget includes funds, under the removal portion of the Hazardous Substance Response activity to support the requirement.

ENFORCEMENT RESOURCES

Question: Your budget states that enforcement has increased by 13% compared to 1983. Please prepare a chart listing enforcement resources by program from 1980 through 1984. Please define how the term "enforcement" is used and list each decision unit or subunit considered "enforcement" which are considered included in your enforcement chart.

Answer: The increase of 13 percent in the Agency's enforcement budget is an increase in dollar funding, not in personnel. Of the increase, approximately one half is required to cover increased salary and support costs. The remaining funds are focused on two specific areas. An increase of $7.8 million is requested for increased efforts in Resource Conversation and Recovery Act and Superfund enforcement. The Agency also requested $.5 million to initiate a cooperative enforcement agreement for pesticides with Nebraska.

"Enforcement" is used to define those programs in the Agency dealing with inspections of pollution sources to assure compliance with applicable regulations as well as those programs whose task is the resolution of instances of non-compliance. These functions encompass technical personnel and the legal staff of the Enforcement Counsel. In addition, some of our permitting programs are included within the enforcement function. All program elements considered in the enforcement function are displayed in the following chart.

Senator Leahy—Continued

Environmental Protection Agency

Enforcement Resources - 1980 - 1984

Media	Program Element	Resources	'80 Actuals	'81 Actuals	'82 Actuals	'83 Estimate	'84 Request
Air	Stationary Source Enforcement	Permanent Workyears	444	392.7	368.8	273.2	271.9
		Total Workyear	487	435.2	398.8	289.3	287.6
		$ (thousands)	24,619.0	22,883.8	22,493.0	14,869.8	15,165.4
	Mobile Source Enforcement	Permanent Workyears	115	107.8	77.4	61.2	60.0
		Total Workyears	157	148.2	105.1	80.3	78.4
		$ (thousands)	6,855.0	6,602.8	5,271.6	5,593.1	5,554.7
Water Quality	Water Quality Enforcement	Permanent Workyears	497	453.7	440.6	325.6	313.2
		Total Workyears	573	517.6	486.0	365.2	352.9
		$ (thousands)	17,999.0	19,155.0	17,590.1	13,454.4	13,587.4
	Water Quality Permit Issuance	Permanent Workyears	229	208.9	177.1	201.5	187.5
		Total Workyears	257	246.5	202.0	242.6	233.1
		$ (thousands)	9,790.0	11,403.9	11,677.7	11,137.9	13,400.2
Drinking Water	Drinking water Enforcement	Permanent Workyears	18	22.9	20.3	25.7	29.7
		Total Workyears	23	26.6	21.2	25.7	29.7
		$ (thousands)	702.0	738.2	685.4	882.1	1,114.3
Noise	Noise Enforcement	Permanent Workyears	22	19.4	---	---	---
		Total Workyears	32	19.4	---	---	---
		$ (thousands)	1,124.0	1,054.8	---	---	---

Senator Leahy—Continued

Media	Program Element	Resources	'80 Actuals	'81 Actuals	'82 Actuals	'83 Estimate	'84 Request
Pesticides	Pesticides Enforcement	Permanent Workyears	94	114.2	114.6	96.1	90.9
		Total Workyears	104	126.3	124.2	104.2	99.6
		$ (thousands)	3,182.0	4,010.8	4,130.4	3,830.9	4,120.4
	Pesticides Enf. Grants	Permanent Workyears	11	---	---	---	---
		Total Workyears	13	---	---	---	---
		$ (thousands)	9,139.0	8,013.5	9,087.4	8,702.9	6,918.4
	Pesticides Certification & Training	Permanent Workyears	---	---	---	---	---
		Total Workyears	---	---	---	---	---
		$ (thousands)	---	2,951.8	2,579.1	2,000.0	2,100.0
Toxic Substances	Toxic Substances Enforcement	Permanent Workyears	64	63.7	72.7	78.9	87.1
		Total Workyears	81	81.6	80.6	79.6	89.0
		$ (thousands)	3,434.0	4,018.8	3,869.6	2,930.2	3,786.2
	Toxic Substances Enf. Grants	Permanent Workyears	---	---	---	---	---
		Total Workyears	---	---	---	---	---
		$ (thousands)	---	1,000.0	500.0	---	---
Interdisciplinary	Technical Support Office of Legal and Enforcement Counsel	Permanent Workyears	---	77.4	66.8	65.2	51.0
		Total Workyears	---	90.8	81.5	79.3	63.4
		$ (thousands)	---	3,762.9	3,518.7	3,281.0	3,327.2
	Enf. Policy & Tech. Support	Permanent Workyears	---	---	13.4	146.6	163.4
		Total Workyears	---	---	17.1	160.7	176.9
		$ (thousands)	---	---	1,084.6	7,317.2	8,328.7

Media	Program Element	Resources	'80 Actuals	'81 Actuals	'82 Actuals	'83 Estimate	'84 Request
Hazardous Waste	Hazardous Waste Enforcement	Permanent Workyears	66	75.6	83.9	70.1	70.1
		Total Workyear	80	79.8	97.4	75.4	75.4
		$ (thousands)	3,138.0	3,068.7	3,515.5	2,385.7	3,509.5
	Hazardous Waste Permits	Permanent Workyears	8	95.6	86.5	*	*
		Total Workyears	10	125.9	108.8	*	*
		$ (thousands)	187.0	3,249.7	3,191.5	*	*
	Uncontrolled Waste Sites	Permanent Workyears	23	89.8	---	---	---
		Total Workyears	28	105.6	---	---	---
		$ (thousands)	17,838.0	5,072.9	---	---	---
Superfund Enf.	Technical Support Office of Legal and Enforcement Counsel	Permanent Workyears	---	---	19.7	15.0	12.0
		Total Workyears	---	---	20.8	19.0	14.0
		$ (thousands)	---	509.4	1,564.9	2,346.2	964.5
	Hazardous Substances Tech. Enforcement	Permanent Workyears	---	22.6	121.2	117.9	120.6
		Total Workyears	---	24.3	137.8	132.3	140.0
		$ (thousands)	---	1,947.7	6,581.7	8,745.6	17,512.8
	Hazardous Substances Legal Enf.	Permanent Workyears	---	---	4.1	79.4	73.9
		Total Workyears	---	---	5.1	85.3	82.5
		$ (thousands)	---	---	263.0	3,534.4	3,628.7
		Permanent Workyears	1,591.0	1,744.3	1,667.1	1,556.4	1,531.3
		Total Workyears	1,845.0	2,027.8	1,886.4	1,738.9	1,722.5
TOTAL		$ (thousands)	98,007.0	99,444.7	97,604.2	91,011.4	103,018.4

* In 1983, this program element was moved from the Enforcement function and consolidated into the Waste Management Strategies Implementation activity in the Abatement and Control function. 1983 estimate for this consolidated activity is 305.4 permanent workyears, 383.0 total workyears and $13,030.6 thousand. 1984 request is 305.4 permanent workyears, 411.6 total workyears, and $16,121.6 thousand.

STATE GRANTS

Question: What is EPA policy on funding State grants? Your predecessor announced that she was starting a process which would lead to zero funding in the future and deep cuts now. Is this still EPA's policy?

Answer: The Agency's 1984 budget request reflects the Administration's position that, along with acceptance of operating responsibility for environmental programs by States, comes a responsibility to provide an increasing share of the funding for them. There is nothing contained in the President's budget which requires or even suggests zero grant funding. The issue of grant funding in 1984 is being reexamined by the Administration.

Question: What are EPA's criteria for State delegation?

Answer: Criteria for State delegation originate in the various statutes which govern EPA's programs. The statutes not only set up general criteria, but also establish requirements which can be quite specific in such areas as required civil or criminal penalties, public notice and participation, and review and comment by the Federal government.

State delegation is further governed by regulations which fill in the details of the framework established by the statutes. The regulations are promulgated by the Agency after appropriate notice and comment procedures have been followed, and stand as part of the legal public record which the Agency follows in making decisions about delegation.

Typically a State's ability to operate programs is based on such things as the number of staff available, their technical expertise, and the existence of a State regulatory framework that is substantially equivalent to that of EPA.

Question: With regard to State manpower: What levels of expertise are accessible to States in core program desciplines such as engineering? In specialty areas such as toxicology, advanced technical areas? What is the variation among States, and how should this affect grants programs?

To what extent do civil services restrictions, seniority systems, or other constraints inhibit adequate staffing of delegated programs? (More grant dollars cannot fix such problems.)

Answer: The Agency does not have up-to-date information on the expertise available to States in either core program areas such as engineering or in advanced areas such as toxicology.

The most serious constraint facing States at this time in terms of their ability to develop and maintain adequate staffing levels is the fact that, as of February 1983, a total of 23 States had in place either total or partial hiring freezes.

While these constraints do pose serious problems for States, EPA has and will continue to take such factors into account when negotiating annual workplan commitments with States.

Question: What is the variation in States' matching shares to EPA programs?

Answer: The following table displays the State match, in terms of overall percentage, for each of EPA's seven categorical grant programs in fiscal year 1981.

PROGRAM	STATE MATCH(%)
AIR (105)	62%
WATER (106)	68%
PUBLIC WATER SUPPLY	42%
UNDERGROUND INJECTION CONTROL	34%
PESTICIDES CERTIFICATION AND TRAINING	57%
PESTICIDES ENFORCEMENT	23%
HAZARDOUS WASTE	20%

The Hazardous Waste program allowed 100 percent Federal funding for "development" in that year.

Individual matching shares vary considerably, however. For example, California provides approximately 90 percent of the total funds available in the Air program while North Dakota provides approximately 23 percent.

Question: What has been the historical pattern of matching shares in terms of real purchasing power, and how is this changing in response to Proposition 13-type funding ceilings? Where will new funding come from, if at all?

Answer: Historically, State matching shares have generally kept pace with inflation, thus allowing the States to maintain adequate purchasing power.

While Proposition 13-type funding restrictions have undoubtedly impacted the ability of certain States to generate additional tax revenues, such arrangements do not prevent them from instituting fee systems to generate needed funds. EPA believes that fees should be used increasingly to offset necessary reductions in Federal support. We have also revised our grant regulations so as to reduce the administrative costs borne by States in administering grant programs.

Question: What proportion of States' matching shares is made as "in-kind" contributions (i.e., donation of office space, general staff support, etc.) and how much is in cash? How does soft "in-kind" matching vary among States and what is the significance to EPA program planning?

Answer: EPA does not have information on the proportion of State matching funds that are composed of in-kind contributions.

However, the use of in-kind contributions is authorized in all of our continuing grant programs.

Question: What are the real support requirements (over-sight, program start-up, continuing technical assistance) for various programs in terms of objective measures of State program performance?

Answer: The support requirements for various grant programs administered by EPA vary based primarily on where particular States stand in terms of accepting delegation. As States assume more and more responsibility for day-to-day management of programs, the role of EPA staff will ostensibly shift in emphasis from one of overseeing and assisting States in the initial development of programs to one of program oversight and technical assistance as needed.

The Agency is currently undertaking a study to develop a more concise definition of the role of EPA staff once particular programs have been fully delegated. The results of this study should be available during the summer.

QUESTIONS SUBMITTED BY SENATOR PROXMIRE

CLEAN AIR MONITORING

Question: Funds have been reduced for clean air monitoring under your budget. Since monitoring is the best way of knowing if states and localities are in compliance with the law, what will you substitute for this data? Is there any reliable substitute?

Answer: Air quality monitoring information is the most important means for determining whether States and localities are in compliance with National Ambient Air Quality Standards (NAAQS) and other Clean Air Act requirements. In addition, air quality data often is supplemented with emissions, air quality modeling, or individual source compliance information to obtain the complete status of the air quality in an area.

EPA issued regulations in 1979, initiating a nationwide network of monitoring stations to provide information for use in determining compliance. The network, now almost entirely in operation, includes stations designed to meet State and local needs, as well as those of EPA.

Federal support for State air quality monitoring is provided primarily through the Section 105 grant program. Although no specific amount of grant funds is earmarked for monitoring, past experience shows that about one third of grant funds is spent annually on air monitoring. EPA does not anticipate that the nationwide network will be reduced below the number of stations necessary to determine whether States and localities are in compliance. In addition, EPA resources in the fiscal year 1984 budget for air monitoring would increase by $.5 million.

AIR POLLUTION TRANSPORT

Question: The State of Wisconsin believes"that much of the air pollution reaching the southeast corner of the state has been blown there from Illinois and Indiana which have less strict air pollution control plans. What are you doing to bring these other states into line so that this problem stops? Are you funding air pollution transport research?

Answer: On February 3, 1983 EPA proposed in the Federal Register to disapprove the ozone State Implementation Plans for Indiana and Illinois. Among the reasons for disapproval was the failure to provide the reductions in volatile organic compound emissions necessary to attain the ozone standard in Southeastern Wisconsin. (See 48 FR 5113 and 48 FR 5108.) The public comment period for the proposed disapproval ended May 5, 1983. If Indiana and Illinois do not remedy the deficiencies in their plans, they will be subject to the sanctions in the Clean Air Act.

The air pollution transport research program which primarily consists of regional (e.g. 1000 kilometers) air quality scale modeling for criteria pollutants such as ozone and particulate matter is funded at a level of $3.0 million dollars.

GREAT LAKES - GAO REPORT

Question: The United States has a treaty with Canada to protect Great Lakes water quality. A 1982 GAO report recommended that EPA direct the Great Lakes National Program office to develop a comprehensive strategy to address the problems of phosphorus, non-point pollution, and toxic pollution. However, the EPA fiscal year 1984 budget request provides for a $1.1 million, a 30% reduction. How do you plan to carry out the GAO recommendations as well as the requirements of the water quality agreement with such a reduced budget? What programs will you cut?

Answer: Many of the GAO recommendations will be carried out by the management initiatives being undertaken as a result of EPA's recent Great Lakes Oversight report. Through better coordination of programs, research, and monitoring by all government agencies, increased recognition of the Great Lakes as a national priority, and increased recognition of and participation in the activities of the International Joint Commission and its Board, the recommendations of both the GAO and the Agency internal report can be carried out.

The fiscal year 1984 budget request will allow EPA to continue to meet our commitments under the U.S. - Canada Great Lakes Water Quality Agreement. The decrease reflects completion of the Niagara River (Lake Ontario) ground water contamination study as well as completion of grant awards for demonstrating innovative control techniques under Section 108(a) of the Clean Water Act.

GREAT LAKES - R&D

Question: The Large Lakes Research Station at Grosse Ile, Michigan specializes in Great Lakes pollution problems. It is the only laboratory outside of Russia to study the unique problems of large lakes. However, the lab will be closed at the end of FY 83 and receive no further funds under the Administration's budget. According to the GAO, "EPA's own actions in not funding the Large Lakes Research Station at Grosse Ile raise questions about its willingness and ability to develop and carry out a comprehensive, coordinated research effort in the future."

How do you plan to replace the expertise that will be lost if this lab closes?

Answer: In fiscal year 1983 there are eight positions working on Great Lakes research. Two positions are located at the Large Lakes Research Station at Grosse Ile, Michigan while the remaining six positions are located at the Environmental Research Laboratory (ERL) in Duluth, Minnesota. Although we are not requesting any resources in fiscal year 1984 for research specifically earmarked for the Great Lakes, we have not made a decision concerning the closing of the Grosse Ile laboratory. In the event of such a decision, we would not lose the research expertise because we would transfer the personnel to our Duluth laboratory or to the Regional offices.

Question: Since this lab serves as an important focus for joint U.S. Canada research what other mechanisms will you use to replace it for dealing with Canada?

Answer: As mentioned above, the majority of the research on Great Lakes is being conducted at ERL-Duluth now. At the end of fiscal year 1983, EPA can still provide technical assistance to the International Joint Commission utilizing the expertise and facilities at ERL-Duluth. In addition, EPA provides support to the International Great Lakes Agreement with Canada through its Great Lakes National Program Office in Region V.

WATER QUALITY - BAN ON USE OF PHOSPHATE DETERGENTS

Question: Last year, according to recent U.S. and Wisconsin testimony given by the EPA Regional Administrator for Region V, former Deputy Administrator John Hernandez intervened on behalf of a chemical company in favor of lifting the ban on the use of phosphate detergents in Wisconsin. EPA reversed its previous, long-held position against use of phosphorus detergents in areas bordering the Great Lakes. What is your current position? The ban has now been reintroduced and has just passed the Assembly. Will you oppose it?

Answer: Dramatic reductions have been made in the loadings of phosphorus to the Great Lakes. Removal of phosphorus at municipal treatment plants, in conjunction with limitations on the phosphorus content of laundry detergents, is a proven method and has resulted in great strides toward the target loads agreed upon by Canada and the United States. EPA believes that further reductions needed to achieve the target phosphorus loading to each lake must be made in the most cost-effective manner. EPA recommends that each State review the loading estimates from point and non-point sources and decide where further controls can be most effective and economical.

If a State decides that instituting or retaining a limitation on the phosphorus content of detergents is an important part of their phosphorus control program, EPA will fully support them.

PESTICIDES

Question: The pesticide program at EPA has often seemed to be the stepchild of the Agency. Although all the products it regulates are, by definition, toxic to some forms of plant or animal life, it gets a disproportionately small share of Agency resources. I am especially concerned that in order to meet personnel ceilings, the wrong kinds of people were "outplaced" from the Office of Pesticide Programs (OPP).

Both a March 14, 1983, memo from John Todhunter to John Hernandez, former Deputy Administrator and a March 31, 1983, memo from Edwin Johnson, Director of OPP to Don Clay, Acting Administrator for Pesticides and Toxic Substances, point out this problem. According to the Johnson memo there has been a "significant worsening of the skill-mix problem" at OPP. "Staff losses are having a programmatic effect greater than that suggested by the large reduction in on-board staff because we have frequently suffered losses where we can least afford them." Mr. Johnson requested an increase in positions (PFTEs). What happened? Are you still short of qualified scientists?

Answer: The Office of Pesticides Program undertook an outplacement program to get staff levels down within the fiscal year 1983 budget ceilings. Unfortunately, some valuable scientific personnel were lost in this process, and others were lost due to normal attrition. The resulting skill-mix imbalance has created problems which are being addressed. Qualified scientists and other key staff are being moved from divisions which have not been impacted severely to those which have been hit the hardest.

Since the reductions in staff have brought OPP near its fiscal year 1983 workyear ceiling and the fiscal year 1984 ceiling will permit hiring, OPP plans to begin recruiting very soon for the scientists it needs so that they can be brought on board near the beginning of fiscal year 1984.

INDUSTRIAL BIOTEST LABORATORY

Question: The Industrial Biotest Laboratory did much of the background scientific studies used by EPA to make decisions regarding the safety of Pesticides. It now appears that much of the data generated by the lab was fake, sloppy or otherwise substandard. I understand that the company is now the subject of litigation. What has the Agency done to ensure that this problem won't happen again?

Answer: In response to the Industrial Biotest Laboratory (IBT) problem, the Agency conducted a full-scale review during fiscal years 1981 and 1982, of data submitted by IBT in support of the registrations of over 200 chemicals, and developed a policy to rescind registrations if the supporting data was proven to be invalid. Registrants of pesticides affected by these findings have been advised of the invalidity of their studies performed by IBT and requested to commit themselves to supplying additional data and/or repeating the original tests. Regulatory actions may include voluntary cancellations by registrants, cancellations by EPA, moratoriums, suspensions or registration, or possibly accelerated development of registration standards.

In order to forestall future episodes such as that involving IBT, the Agency instituted the Laboratory Data Audit program, consisting of on-site inspections of the facilities and supporting records of public and private sector testing laboratories that generate scientific data used in support of pesticide registrations. The Agency responsibility for this program rests with the Office of Pesticides and Toxic Substances (OPTS). Within OPTS, the Pesticide and Toxic Substances Compliance Monitoring Staff provides the overall management and administrative framework for the program. The Office of Pesticide Programs, also within OPTS, provides technical and scientific support as needed. The work of the Office of Pesticide Programs is referred to as "laboratory data audits" and the enforcement work is labeled "laboratory inspections." The two organizations may visit some of the laboratories together and others separately depending on the purposes to be served.

Prior to fiscal year 1982, audits centered on laboratories that conduct health-related studies. In fiscal year 1982, the program was expanded to include laboratories that conduct non-human health studies. The Food and Drug Administration does not participate in non-human health effects related audits. Human effects audits are usually conducted by, or in conjunction with, the Food and Drug Administration, through an Interagency Agreement with EPA.

PESTICIDES - GROUND WATER POLLUTION

Question: I asked CRS to prepare a list for me of those states which had pesticide ground-water pollution problems. As a result of that request the EPA environmental fate branch put together a list of states and the chemicals found in their drinking water. According to the list Wisconsin water contained six different pesticides. Other states have similar, although less extensive lists. Why hasn't EPA moved forward with ground-water research?

Answer: The Environmental Protection Agency (EPA) has moved forward in undertaking groundwater research. The resources for this program increased significantly in fiscal year 1982 to $7.6 million. Approximately $8 million is planned for this program in both 1983 and 1984.

Question: What studies are underway?

Answer: There are numerous studies underway that are directed towards providing methods and data for decisions on ground-water protection. These studies produce outputs in the following areas: (1) methods for assessing and monitoring ground-water contamination, (2) methods and data for predicting the impact of contamination on underground sources of drinking water, and (3) evaluations of the cost-effectiveness of aquifer cleanup under various conditions. These outputs support a number of implementation programs in EPA, including pesticides.

PESTICIDES - REREGISTRATION

Question: In 1972, when we passed the pesticide amendments we required EPA to reevaluate pesticides using the new, stricter standards of the Act (reregistration). How many of the 600 basic active ingredients in pesticides have undergone this reevaluation? What is your timetable for completing reregistration?

Answer: The Agency reregisters pesticide active ingredients according to criteria found in registration standards, which are established for each active ingredient based on comprehensive reviews of available health and environmental data pertaining to it. At the beginning of the registration standards program, about 580 active ingredients were identified as requiring some level of review. We estimate that about 275 will be withdrawn voluntarily or suspended because the registrants do not now wish to undertake the cost of data development, because they are no longer in production or because they will be exempted from the reregistration requirements of FIFRA due to limited or no exposure, etc.

Of the remaining 305 active ingredients, 42 reviews were completed by the end of fiscal year 1982, and 22 are scheduled for fiscal year 1983. Assuming the planned rate of standard development of 35 per year beginning in fiscal year 1984, we estimate standards will be developed for all active ingredients by the end of fiscal year 1991.

Reregistration is accomplished when the registrant meets all of the following conditions: (1) Submits a new Confidential Statement of Formula and all product chemistry requirements; (2) Agrees to comply with the data compensation provisions of Section 3(c)(1)(D) of FIFRA; (3) Agrees to comply with all Section 3(c)(2)(B) data requirements listed in the guidance package; and (4) Submits an acceptable label revised in accordance with the guidance package and current label regulations.

These events normally occur approximately six months after issuance of the Registration Standards. Major Agency activity related to reregistration will end in fiscal year 1991. However, data gaps identified during the initial review need to be filled, and some studies take as long as 4 years to generate. Given Agency review time and follow-up action the entire process should be completed by fiscal year 1995.

Moreover, two recent court decisions have introduced a large element of uncertainty into our projections for registration standards development and reregistrations. The National Agricultural Chemicals Association (NACA) "Cite-all" decision prohibits us from requiring registrants to cite all relevent data in Agency files in support of their registration requests. The Monsanto decision ruled that several sections of FIFRA are unconstitutional and that EPA cannot use another company's data (without the permission of that company) in support of a registrant's application or require that compensation be offered for such use. It also restricts EPA's ability to release company-submitted data to anyone without the permission of the submitter. The total scope and effect of these decisions have not yet been determined, and comprehensive revisions of Agency policies, procedures, and timetables may be necessary, depending on the outcome of the various stages of the appeals process.

PESTICIDES - REBUTTABLE PRESUMPTION AGAINST REGISTRATION

Question: Under the Pesticides Act, the category called rebuttable presumption against registration (RPAR) was designed in order to regulate the most dangerous pesticides--those which were acutely toxic, suspected of causing cancer in animals, or had no antidote. How many actions have been taken by EPA under RPAR in the last two years? Could you contrast this with the number of RPARs done in the previous four years?

Senator Proxmire—Continued

Answer: The table below summarizes the number of actions taken (i.e. decisions made) over the last two fiscal years 1982 and 1983 thru May 9, 1983, and the previous four fiscal years 1978 through 1981.

Period of Time	Number of Actions (Decisions)	Average Number of Actions Per Fiscal Year
Fiscal Year 1982 - Fiscal Year 1983 (to May 9, 1983)	16	10
Fiscal Year 1978 - Fiscal Year 1981	72	18

The average number of decisions has decreased when comparing fiscal year 1982 - fiscal year 1983 to the period fiscal year 1978 - fiscal year 1981. However, the types of actions taken have changed. For fiscal year 1982 - fiscal year 1983 the actions have primarily been proposed decisions (PD-2/3's) which involved lengthy external review processes (including "peer review" by the FIFRA Scientific Review Panel) and final decisions involving sometimes lengthy negotiations with registrants over the terms and conditions of required label changes, use patterns, etc. During the fisal years 1978 - 1981 period the actions were more initial issuances of presumptions (PD-1's) against specific pesticides as well as a number of interim (PD-2/3), and final decisions (Final Resolutions) within the process.

DIOXIN

Question: What steps has the Administration taken to prevent the release of dioxin into the environment? What programs address this?

Answer: The most important step EPA has taken to control the release of dioxin into the environment is the emergency suspension of use of the herbicides Silvex and 2,4,5 - T. These herbicides are formulated from 2,4,5 - trichlorophenol, a basic chemical feedstock which, when produced, can incdvertently form dioxin as a by-product. When these herbicides were suspended from use, 2,4,5-trichlorophenol production was reduced dramatically. The EPA has a number of other efforts underway designed to prevent the release of dioxin into the environment. The Agency proposed in the Federal Register (April 4, 1983, Volume 488, pp 14514-14529) a regulation governing dioxin-containing wastes under the Resource Conservation and Recovery Act (RCRA). This rule will supercede the current rule under the Toxics Substances and Control Act, known as the Vertac rule, governing the disposal of dioxin. EPA is also examining regulation of dioxin under the pesticide and organic chemical BAT (best available technology) effluent guidelines. Although currently deferred in the proposed regulation (due to lack of data), EPA is resampling organic chemical plants for, among other things, dioxin. This program started March 27, 1983.

The EPA also has a number of activities under consideration relating to the control of dioxin contamination, including regulation of dioxin under Section 307(a) of the Clean Water Act and Section 6(b) of the Toxic Substances Control Act.

TOXIC SUBSTANCES CONTROL ACT

Question: What regulatory actions do you intend to take under Section 6 of the Toxic Substances Control Act (TSCA)? This Act was intended to prevent the entry into the market of the most dangerous chemicals. Have there been any significant curtailments of the use of any product under this Act directly as a result of EPA efforts?

Answer: Specific regulatory actions which will be pursued on existing chemicals currently under evaluation by the TSCA program are difficult to identify at this time. In fiscal year 1984, EPA has allocated resources to take action to regulate or curtail the risks associated with two existing chemicals under Section 6.

Regulatory control under TSCA is not limited to Section 6 control actions. Sections 4, 5, 7 and 8 also support or directly provide for chemical control and risk reduction activities.

Since the beginning of fiscal year 1983, 60 existing chemicals have been or are going through review. We anticipate that 10 to 15 of these will require regulatory control actions in fiscal year 1984, including two under Section 6. Currently, there are four chemicals for which regulatory decisions are under review. These include:

1) Proposed Section 8(a) information gathering rule for chlorinated terphenyls

2) Proposed Section 5(a) significant new use rule (SNUR) for chlorinated napthalenes

3) Advanced notice of proposed rulemaking (ANPR) under Section 6 for regulatory control of 4,4' Methylene Bis (2-chloroamiline) (MBOCA).

4) 180 day priority review/joint ANPR activity with Occupational Safety and Health Administration (OSHA) on 4,4' - Methylenediamiline (MDA) under Section 4(f).

Section 5 of TSCA, the new chemicals program, also provides for direct curtailment of chemicals of concern. EPA has reviewed over 2,300 premanufacture notice submissions since mid-1979. In reviewing a new chemical, EPA assesses the exposure (both human and environmental) to the chemical throughout the chemical's life cycle. Since April 1979, eight Section 5(e) orders have been issued, prohibiting or limiting manufacture pending the development of additional information; voluntary testing is being performed by industry in response to our concerns on 23 PMNs; 30 voluntary control actions have been undertaken; and review of 29 PMNs has been suspended or withdrawn by the companies due to EPA concerns. We are also using TSCA Section 5(e) more efficiently to get additional information when needed. This can be seen in the recent increase of Section 5(e) orders. Three have been issued since January 1983, compared to five orders in the previous 3-1/2 years. We expect to issue six to ten Section 5(e) orders in the next few months.

TSCA - NEW CHEMICAL EXEMPTION POLICY

Question: EPA recently proposed an exemption policy for toxic substances which would eliminate roughly 50% of new chemicals from tests before marketing. Was this exemption process driven by money problems or is there a scientific basis for these exemptions?

Answer: It should be understood that Section 5 of TSCA does not automatically require testing before marketing new chemicals. It does require that EPA be notified before a new chemical is manufactured. The exemption policy is designed to limit full Premanufacture Notice (PMN) review to those chemicals which have the potential for unreasonable risk. Chemicals which are included in the exemption categories do not present significant toxicity concerns and thus may not receive full PMN review. If the final exemption rules resemble substantially the proposals, we estimate that up to one-half of the 1300 new chemical notices expected in fiscal year 1984 will be eligible for one of the exemption rules. It is very possible that EPA will not receive exemption requests on all eligible chemicals.

The exemption policy is not an attempt to compromise the integrity or the intent of the premanufacture review process. It is not a policy adopted as a result of fiscal constraints, but rather an evaluated response to the need for refinement of a process that is evolving over time.

The exemption categories proposed by EPA reflect the use of a systematic and technically sound identification process. As input to this process, we have relied on: (1) our experience in reviewing new chemicals for the past three years; (2) the identified risks associated with existing chemicals as a surrogate for future risks of exemption candidates; and (3) the benefits of the proposed exemption to EPA, industry and the public. We believe that these three factors, combined with a continuously expanding data base, establish a sound scientific basis for these exemptions.

It should be understood that the exemption process is not available to all PMN submitters, nor does it mean that the chemical will not be reviewed by EPA staff. We have proposed to exempt chemicals that, based on scientific data, are not expected to present significant toxicity concerns. Both the site-limited intermediate and low volume exemption rules are based primarily on low toxicity concerns, while the polymer exemption is based on physical-chemical properties and chemical category exclusions. We have supplemented these risk-based criteria with provisions that require limited EPA review of the vast majority of chemicals eligible for these exemptions, as well as industry review by a qualified expert for site-limited and low volume chemicals and certain mandatory exclusions, from the exemptions based on known health effects information.

These criteria and review requirements provide for scientific and technical oversight of the exemption process and safeguard the integrity of the new chemical review process.

ACID RAIN STUDIES

Question: The EPA has stated a preference for continuing its research into the problems of acid rain instead of recommending cutbacks in sulfur dioxide emissions yet you cut the funds for the studies. How can you reconcile this?

Answer: EPA's budget for acid deposition research has been increasing since the problem first received attention in the late 1970's. Recent year funding levels have been: fiscal year 1981, $6.9 million; fiscal year 1982, $9.0 million; fiscal year 1983, $12.5 million; and proposed for fiscal year, $14.0 million. To isolate an example, the increase in the specific area of terrestrial effects was 20% from fiscal year 1982 to fiscal year 1983. Total government acid rain funding will be at $27.6 million in 1984 compared to $23.3 million in 1983.

Question: Have these funds been restored?

Answer: Within the total acid rain program, we have adjusted funding internally without any overall cut, in order to maximize effectiveness and achieve priority outputs first. For instance, we recently accelerated the industrial sector modeling efforts by slightly delaying the Advanced Utility Simulation Model (AUSM) model. We believe that this will increase the likelihood that a balanced capability will be available when assessments begin in 1986.

STATE GRANTS

Question: The Administration budget makes significant cuts in grants to States for carrying out programs which have been delegated to them by EPA and for which EPA shares responsibility. Does the Agency intend to request further reductions in State grants in fiscal year 1985 and beyond? In light of the great financial squeeze being experienced by most States, what would happen if a State or several, decided it no longer wanted to keep its delegated programs and returned them to EPA? How would you absorb them?

Answer: EPA has made no determination on funding levels for State grants after fiscal year 1984.

The 1984 President's budget for State grants reflects the Administration's position that States can and should assume an increasing share, in terms of both funding and day-to-day management, of responsibility for programs that have been delegated to them. That delegation is consistent with the intent of Congress expressed in both legislative history and environmental statutes.

Although it is true that many States are experiencing fiscal difficulties, we believe that they can significantly mitigate the proposed reductions through, for example, expanded use of fees and other funding sources such as the 205(g) and 205(j) grants in water quality. In addition, reduced Federal reporting requirements will help to offset these proposed reductions.

We believe that a decision on the part of a State to return a program to EPA will be based on a variety of factors and not solely on financial considerations. One of the most important of those factors is the ability of a delegated State to operate programs that, while responding to national goals and objectives, are tailored to fit each State's particular set of environmental conditions.

Question: As part of program delegation EPA makes findings that States have the necessary resources to carry out their delegated programs. In light of the cuts in State grants do you anticipate that any States will fall below the level of resources necessary to carry out delegated programs. Do you have any formula or "bottom line" calculation to determine when resources are adequate?

Answer: The Agency does not have any formula for determining when State resource levels are adequate to maintain delegated activities. At the beginning of the "performance period," however, the State and the local EPA Regional Administrator negotiate a work plan; if the State does not propose a program that meets the goals of the statute, the Regional Administrator has the authority to withhold funds from the grant. Nevertheless, we believe that the proposed cuts, when offset with other funds and with other ways to reduce workload, will not require them to return programs to EPA.

CLOSING COMMENTS

Senator GARN. We do appreciate your testifying today under circumstances that are rather difficult for you because I think most of us expect that there will be a changing of emphasis with the new Administrator. I think you have done well considering the fact that you are not in a position to respond for him when he has not yet taken office.

Dr. VERSTANDIG. Mr. Chairman, I might say I think also the line of questions that has been raised this afternoon will be very helpful to Bill Ruckelshaus in trying to review and formulate some of the directions he wants to seek in the months ahead.

Senator GARN. I will expect he would like to look at the 78 pages of written questions.

SUBCOMMITTEE RECESS

The subcommittee will stand in recess until Thursday, May 12, 1983, at 10 a.m., when we will hear the Department of Housing and Urban Development.

The subcommittee is recessed.

[Whereupon, at 1:50 p.m. Thursday, May 5, the subcommittee was recessed to reconvene at 10 a.m. Thursday, May 12.]

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